



**NDLAMBE MUNICIPALITY**  
**ANNUAL REPORT 2014/2015**





#### VISION:

*NDLAMBE MUNICIPALITY strives to be a premier place to work, play, and stay, on the eastern coast of South Africa. It strives to be the destination of choice for people who love natural and cultural heritage, adventure water sports, and laid-back living for families.*

*Our promise is to build a state-of-the-art physical infrastructure which will be laid out aesthetically in our beautiful natural environment. Our prosperous community supports a safe and healthy lifestyle which is supported by affordable natural living and a vibrant tourism and agriculturally-based economy!*

*We promote good governance by providing sustainable, efficient, cost effective, adequate and affordable services to all our citizens.*

#### MISSION:

*To achieve our vision by enabling optimal performance within each of the five Key Performance Areas of Local Government within the context of available resources.*

#### VALUES:

- Commitment;
- Transparency;
- Honesty;
- Trustworthiness; and
- Care



TABLE OF CONTENTS		
	VOLUME I: ANNUAL REPORT	
CHAPTER	CONTENTS	PAGE NO.
1	Component A: Mayor's Foreword and Executive Summary	1-3
	Component B: Executive summary	
	1.1 Municipal Manager's Overview	4-6
	1.2 Municipal Functions, Population and Environmental overview	7-9
	1.3 Service delivery overview	9-10
	1.4 Financial Health overview	10-44
2	INTRODUCTION TO GOVERNANCE (KPA 5)	
	Component A: Political and Administrative Governance	
	2.1 Political Governance	48
	2.1.1 Council	48
	2.1.2 Municipal Public Account Committee (MPAC)	48
	2.1.3 Administration	49
	2.2 Public Accountability and participation	49
	2.3 Intergovernmental Relations	49
	2.4 Public Meetings	49
	2.5 IDP participation and alignment	49
	2.6 Risk Management	51
	2.7 Anti-Corruption and Fraud	51
	2.8 Supply Chain Management	52
	2.9 By-laws	52
	2.10 Websites	53
3	SERVICE DELIVERY PERFORMANCE (KPA 1)	
	Component A: Basic Services	
	3.1 Water Provision	54
	3.2 Electricity	63
	3.3 Housing	68
	3.4 Roads	72
	3.5 Waste Water	75
	3.6 Fleet Management	78
	3.6 Planning	80
	3.7 Local Economic Development	83
	3.8 Introduction to Libraries; Archives and Community Facilities	91
	3.9 Cemeteries and Crematoriums	94
	3.10 Waste Management	96
	3.11 Pollution Control	100
	3.12 Bio-diversity and Landscape	102
	3.13 Environmental Health	105
	3.14 Fire	110
	3.15 Other (Disaster Management, Animal Licensing and Control, Control of Public Nuisances and other	112

<b>4</b>	<b>ORGANISATIONAL DEVELOPMENT (KPA 2)</b>	
	Component A: Introduction to the Municipal Personnel	115
	4.1 Employee Totals, Turnover and vacancies	115
	Component B: Managing the municipal workforce	
	4.2 Policies	117
	4.3 Injuries, sickness and suspension	118
	<b>ANNEXURES</b>	
<b>ANNEXURE</b>		
<b>A</b>	ORGANISATIONAL PERFORMANCE SCORECARD	
<b>B</b>	ORGANISATIONAL STRUCTURE (ORGANOGRAM)	
<b>C</b>	AUDITOR GENERAL AUDIT FINDINGS	
<b>D</b>	OVERSIGHT REPORT 2013/2014	
<b>E</b>	SECTION 72 – MID YEAR BUDGET AND PERFORMANCE REPORT 2014/2015	
<b>F</b>	AUDITOR GENERAL AUDIT REPORT 2014/2015	
<b>G</b>	AUDITED ANNUAL FINANCIAL STATEMENTS 2014/2015	
<b>H</b>	AUDIT AND PERFORMANCE COMMITTEE REPORT	



## CHAPTER ONE

### COMPONENT A: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

#### MAYOR'S FOREWORD

**"Together we can build better Communities"**



Reconciliation means that those who have been on the underside of history must see that there is a qualitative difference between repression and freedom. And for them, freedom translates into having a supply of clean water; having electricity on tap; being able to live in a decent home, and have a good job; to have accessible healthcare. I mean, what's the point of having made this transition if the quality of life of these people is not enhanced and improved? If not, the vote is useless! (These words were said by Arch Bishop Desmond Tutu, in 1999).

Section 152 of the 1996 Constitution of the Republic of South Africa clearly set out the objectives of local government. The Constitution of 1996 directs local government to be democratic and accountable to local communities; ensure provision of services to communities in a sustainable manner; to promote social and economic development; to promote a safe and healthy environment and to encourage the involvement of communities and community organisations in the matters of local government. Most importantly the Constitution which all we are subscribed to provides that a municipality must strive, within its financial and administrative capacity, to achieve the objects set out in Section 152 (1). Since the year 2000, the local sphere of government entered into a new phase of developmental local government. Developmental local government puts forward a vision of developmental local government which centers on working with local communities to find sustainable ways to meet their needs and improve the quality of their lives.

I am directed by Section 127 (2) of the Local Government: Municipal Finance Management Act, 56 of 2003 to *inter alia* table the municipal annual review or report to full ordinary council within seven months after the end of a financial year. This is a legislative requirement which has to be adhered to, but we have to move beyond just complying with both Municipal Finance Management Act and Municipal Systems Act, 32 of 2000. This report gives an account of what has been achieved or not achieved during the period under review. Since the inauguration of the new municipal council on the 2<sup>nd</sup> of June 2011, we committed ourselves both political and administratively to work with our people to ensure faster improvement in rendering municipal services to our communities ("Together we can do more"). Since our election to office public participation has been improved, things started to be done differently and with some degree of speed, cleaning of verges improved including cutting of grass across the municipality improved dramatically, the annual municipal budget was increased by 12% for 2014/2015 financial year, this decision was taken after due consideration of public comments and the fact that the municipality has to be financially viable and to be able to respond the needs of the our communities

The year under review saw us directly interacting with our communities during "Mayoral Imbizos". During these interactions the Municipal Integrated Development Plan (IDP) and Budget was discussed together with our communities. This demonstrated a level of commitment on our side and the positive reception we have received from our people across Ndlambe, it indeed inspired us, and hence I still maintain that "together we can do more". During the year under review we have strengthened our working relationship with our stakeholder i.e. Ndlambe Ratepayers Forum, Business Forum, Tourism and other community based organisations, during this process we have learnt from them about where we need to improve and in turn they understood our challenges. I must say that a solid relationship is built over many years, therefore I encourage our stakeholders and people not to despair rather work with us to improve the conditions in which our people live under. Ndlambe Municipality strives to be a growing and investment friendly region that provides sustainable, efficient, cost-effective, adequate and affordable



services to all citizens in a healthy and safe environment by 2030. I wish to make this clarion call that together we will walk this journey to 2030 in accordance with the National Development Plan.

I wish to categorically and without any contradictions state that since 2001 this municipality has done fairly well in addressing service delivery challenges that we have inherited from the past apartheid regime. We have done fairly well on the following basic essential service delivery components: - piped water household connections, provision of electricity, provision of human settlements, employment creation, refuse removal and sanitation. If anyone challenges my assertion on Ndlambe Municipality impressive service delivery record since 1996, I invite members of our communities to read census 2011 Municipal Report: Eastern Cape Province, in the document facts and figures are clearly shown. However there is a lot that needs to be done to improve the lives of our people in the municipality, but I must mention that since census 2001, unemployment rate has decreased from 35% to 30% by 2011. This shows a significant drop and thanks to our strategies and the role that is played by the private sector (business), government departments and private individuals. We strive to achieve clean audit by 2014 from the qualified audit opinion, this is a national target and commitment that by 2014 all municipalities must achieve clean bill of health.

However, it must be made clear that our main challenges going forward remain to be the following:-

- (a) Roads;
- (b) Water and sanitation;
- (c) Waste management and
- (d) Socio-economic disparities.

If all of us can adopt right or positive attitude, there is no doubt we can overcome these challenges. I therefore wish to borrow the wise words of Dr John Maxwell, in his book "The Winning Attitude" he writes;

Attitude.....

It is the "advance man" of our true selves.

Its roots are inward but its fruit is outward.

It is our best friend or our worst enemy.

It is more honest and more consistent than the words.

It is an outward look based on past experiences.

It is a thing which draws people to us or repels them.

It is never content until it is expressed.

It is the librarian of our past.

It is the speaker of our present.

It is the prophet of our future.

Good attitude among players do not guarantee a team's success, but bad attitudes guarantee its failure. (By Dr John C Maxwell)

Lastly, let me thank my colleagues (EXCO members & Councillors), the administration led by Adv. R Dumezweni, Section 56 Directors, Middle Managers, our work force (the man and women) who clean our streets, who cut grass, who attend to complaints of water and sewerage leakages to all of them equally I thank them, to thank also the



leadership of both unions (SAMWU and IMATU) for their leadership guidance to their members during the year under review. I wish also to convey a word of gratitude to our communities we serve, our stakeholders, Community Faith Based Organisations, Non-Governmental Organisations, Business Community, our sector departments and our District Municipality. I wish also to thank our office support staff both in the office of the Municipal Manager and my office.

**COUNCILLOR S R TANDANI**

A handwritten signature in black ink, appearing to be 'S R Tandani', written over a horizontal line.

**MAYOR**

## COMPONENT B: EXECUTIVE SUMMARY

### MUNICIPAL MANAGER'S OVERVIEW



Pursuant to Section 121 of the Local Government: Municipal Finance Management Act, No. 56 of 2003, every municipality and municipal entity must for each financial year prepare an annual report in accordance with the Chapter 12. The purpose of an annual report is to provide a record of the activities of the municipality during the financial year to which the report relates. It provides a report on performance against the budget of the municipality and promotes accountability to the local community for the decisions made throughout the year by the municipality. The overarching strategic document that all these needs of the community, the budget and the scorecards on performance of the institution are derived or emanates from, is the municipal Integrated Development Plan.

The foreword will only highlight a broad overview or synopsis on the performance report of directorates/institution on the Key Performance Areas and priorities thereon as they appear or included in the IDP and budgeted for in the 2014/2015 financial year. The methodology that is going to be used is to follow the National Treasury Annual report template guidelines however it will still take the form or follow the five Key Performance Areas of the Department of Local Government which are the basis of the scorecards of Section 57 Managers. The Municipality has committed itself through its IDP to deliver on the following priorities in the next five years and I will briefly elaborate on the 16 cardinal ones only.

- Water
- Sanitation
- Roads
- Housing
- Electricity
- Land
- Fleet
- Building control /Town Planning
- Public facilities
- Recreational and sport facilities
- Cemeteries
- Waste management
- Environmental conservation
- Fire and emergency services
- Access to (free) basic services
- Competent and performance driven municipal services
- Corporate governance
- Credible Integrated Development Plan
- HIV/AIDS
- Special programmes
- Communication
- Internal Auditing
- Economic growth
- Tourism
- Agriculture
- Revenue collection
- Supply Chain Management



- Sound financial management system
- Well-functioning council
- Public participation consultation

Ndlambe municipal communities are no longer suffering inadequacy of water especially during festive season in particular in Port Alfred, Bushmansrivermouth and Kenton-on-Sea which areas are visited the most by tourists during this period. More sources of water were revived and other water conservation programmes like "roving plumbers in the townships" and water harvesting were introduced. Obviously sanitation goes hand in hand with water. More households have been connected to the sewerborne. Nemato is benefitting as we speak to a bucket eradication project of not less than R53 million. A business plan has been submitted for the town so that it is also connected. Roads are continuously maintained however it is very difficult to keep pace with the rate in which they are aging given our financial state of affairs. Council has taken stance to pave roads and this will take place in years to come funds are allowed.

Application for low cost houses for Port Alfred (Thornhill), Marselle, Alexandria and Ekuphumleni have been submitted to the Department of Human Settlement however water is a stumbling block to the commencement of building. Some houses have been rectified in Port Alfred however this is a drop in the ocean given the myriad of snags in the houses. Applications for rectification of houses in all the townships have been submitted to the Department of Human Settlement but it is only in Alexandria where the department has approved the application for all the affected households and has also started.

The municipality has outsourced the maintenance of electricity and the service provider is doing well. Eskom has just electrified 361 Marselle households. Indigent households are provided with free electricity which is 50KW per month and 6 kilo litres of water each month. Houses in particular squatter have been provided by gel stoves in the meantime as means of alternative energy.

Building Control remains a serious challenge in the area especially in the townships where people are building without following the building regulations and as a result of this there is a potential that the municipality may be losing a lot of revenue and the households who are contravening the building regulations are exposed to danger because they are living in houses that have not been approved by the relevant authorities. The municipality is doing by all means to overcome this challenge as it is one of the highest risk.

The municipality is also facing a challenge of cemeteries which are becoming full at a very fast rate due to the HIV/AIDS pandemic which is rife in the townships and the quick urbanisation however the relevant department is busy with the necessary process to acquire land for graveyards. Other methods of burying the dead especially in the township where these are foreign e.g burying two people over each other in one grave, cremation etc. to prolong the lifespan of these graveyards are introduced and encouraged.

The municipality has introduced an environmental levy which is used on waste management especially on licensing the sites and maintenance. Also recycling of waste is being introduced in two of these landfill sites so that the communities can generate income and in the process prolong the life span of the landfill sites. This also contributes to the call from the government and legislation to introduce climate change intervention measures in our practices.

The municipality bought laptops for Councillors to enhance paperless administration and their empowerment. This will also impact on sustainability of resources in this age of going green because less trees will be cut. The municipality has developed an HIV/AIDS plan and programmes are formulated to implement that plan. The challenge is that there is not enough staff in that unit to cover the whole municipal area given the fact the infection rate in the area is very high. During employee wellness days two-thirds of the municipal staff do test for HIV/AIDS and other chronic illnesses and this is highly commended.

The other critical unit is the Internal Audit which is responsible for oversight. The Internal Auditor facilitates and coordinates meetings with all oversight Committees viz Audit Committee and MPAC and implement any other

relevant programmes that are meant for oversight. The other important priority is revenue collection. As we speak our collection rate is 83 per cent and two additional employees have been appointed so that our revenue collection can be increased. Lastly we strive for clean administration which ultimately results in clean audit. So far we have been receiving qualified audit reports for the past four financial years. We have not used consultants to do our Annual Financial Statements and Annual report and this has yielded results in the sense that our staff responsible for this function has been empowered.

In conclusion, we strive to produce credible Integrated Development Plan and so far the Department of Local Government has rated us as medium. This is very critical to excel on because excellent rating means excellent planning and excellent planning means excellent service delivery which we have committed to render. I therefore affirm or assert that the annual report is to my best knowledge the true reflection of what the municipality has managed to do in the 2014/2015 financial year.

ADVOCATE R DUMEZWENI



MUNICIPAL MANAGER



## 1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

The Ndlambe municipality, as a Category B municipality performs such municipal functions as enshrined in the Constitution of the Republic of South Africa, 1996. In particular these are listed in Schedule 4 part B & Schedule 5 part B. These include:

Air pollution	Water & sanitation services limited to potable water supply systems and domestic waste-water and sewerage disposal systems
Building regulations	Beaches and amusement facilities
Electricity	Billboards and display of advertisements in public places
Fighting services	Cemeteries and funeral parlours
Local tourism	Cleansing
Municipal Planning	Control of public nuisances
Municipal Health Services	Control of undertaking that sell liquor to the public
Jetties & Piers	Facilities for accommodation, care and burial of animals
Stormwater management system	Fencing and fences
Trading regulations	Traffic and parking
Licensing and control of undertaking that sell food to the public	Municipal roads
Local amenities	Noise pollution
Local sport facilities	Pounds
Municipal parks and recreation	Public places
Refuse removal, refuse dumps and solid waste disposal	Street trading
Street lighting	

The Ndlambe municipality also performs other functions that may be delegated to it by another sphere of government.

The Ndlambe municipal area falls within the Eastern Coastal Zone (one of the areas within the Cacadu District Municipality that has similar geographical characteristics and requires similar geographical guidance). This area can be described as an area with:

- A pristine coastal area;
- Well preserved river mouths and inter-tidal areas;
- Diverse vegetation;
- A relatively low density development along the coast; and
- Major tourism potential

The following is the presentation and analysis of key Ndlambe municipal population and household statistics as provided in the Census, 2011.

## Population

### Population by age group and gender

Age	Male	Female	Total	%Male	%Female
0 - 4	3006	2796	5802	4.9	4.6
5 - 9	2593	2538	5131	4.2	4.1
10 - 14	2261	2243	4504	3.7	3.7
15 - 19	2469	2464	4933	4	4
20 - 24	2549	2408	4957	4.2	3.9
25 - 29	2509	2571	5080	4.1	4.2
30 - 34	2032	2266	4298	3.3	3.7
35 - 39	2014	2218	4232	3.3	3.6
40 - 44	1767	2269	4036	2.9	3.7
45 - 49	1571	1998	3569	2.6	3.3
50 - 54	1477	1906	3383	2.4	3.1
55 - 59	1223	1526	2749	2	2.5
60 - 64	1052	1362	2414	1.7	2.2
65 - 69	814	1039	1853	1.3	1.7
70 - 74	734	1003	1737	1.2	1.6
75 - 79	424	588	1012	0.7	1
80 - 84	282	453	735	0.5	0.7
85 +	258	492	750	0.4	0.8
<b>Total</b>	<b>29035</b>	<b>32140</b>	<b>61176</b>	<b>47.5</b>	<b>52.5</b>

Source: Census, 2011

The Census 2011 data suggests a total population of 61 176 compared to the Census 2001 data which suggested a total population of 57 241, as compared to the 2005 backlog study figures of 58 927 and a total number of households of 18 913. The Socio Economic Profile of Cacadu estimates the population of Ndlambe Municipality at 63 000. The community survey (STATS SA – 2007) concurred with this population figure. When one compares Census 2011 population data with Census 2001, the population of Ndlambe has increased by a margin of 3935 persons and this represents a percentage increase of 1,2 per cent. This could be attributed to an influx of people from the surrounding areas to look for job opportunities in the new industries that have emerged in the municipal area. Also, the Thornhill housing development has attracted some individuals who were living outside Ndlambe to come back and settle in their newly built RDP homes. Another contributor to this population growth is the migration of people from inland towns and cities to the coast. This influx also impacts negatively on the unemployment rate which currently stands at 30.3 per cent with youth unemployment rate standing at 39 per cent.

The bulk of the migration patterns being experienced within the Municipality are due to holiday makers (approximately 33 000) in the peak season. The influx of seasonal holiday makers equates to approximately 56% of the permanent resident population and places tremendous pressure on the available infrastructure of the area. There is a small migration impact on the agricultural sector related to the harvesting of chicory and pineapples, which has no effect on the immediate service delivery as these activities take place on private land. It does, however, impact on the Municipality in the longer term as some migrant labour decides to remain once the seasonal work is completed.



Although undocumented, the Municipality is also dealing with an influx of farm workers to urban centres as well as people from neighbouring municipalities seeking new economic opportunities. This is placing increasing pressure on the housing delivery program and efforts to eradicate informal settlements.

### Number of households

Household size by population group of head of the household

	Black African	Coloured	Indian or Asian	White	Other	Total
1	3837	174	14	987	39	5051
2	2779	212	22	1714	54	4781
3	2491	226	12	443	24	3196
4	2138	232	1	349	6	2726
5	1290	155	4	97	3	1549
6	745	93	1	38	1	878
7	485	56	1	11	1	554
8	244	15	1	2	0	262
9	140	10	0	3	0	153
10+	167	14	0	0	0	181
<b>Total</b>	<b>14316</b>	<b>1187</b>	<b>56</b>	<b>3644</b>	<b>128</b>	<b>19331</b>

Source: Census, 2011

Based on the above data, the average household size is 3.2 persons per household. Of the total number households, 42.6 per cent are female headed. Given the high percentage of female headed households the municipality's planning and projects should be targeted at reaching out to these households. Furthermore, there is a need for the municipality to engage relevant sector departments, such as Social Development and Women, Children and People with Disability, in this regard.

## 1.3 SERVICE DELIVERY OVERVIEW

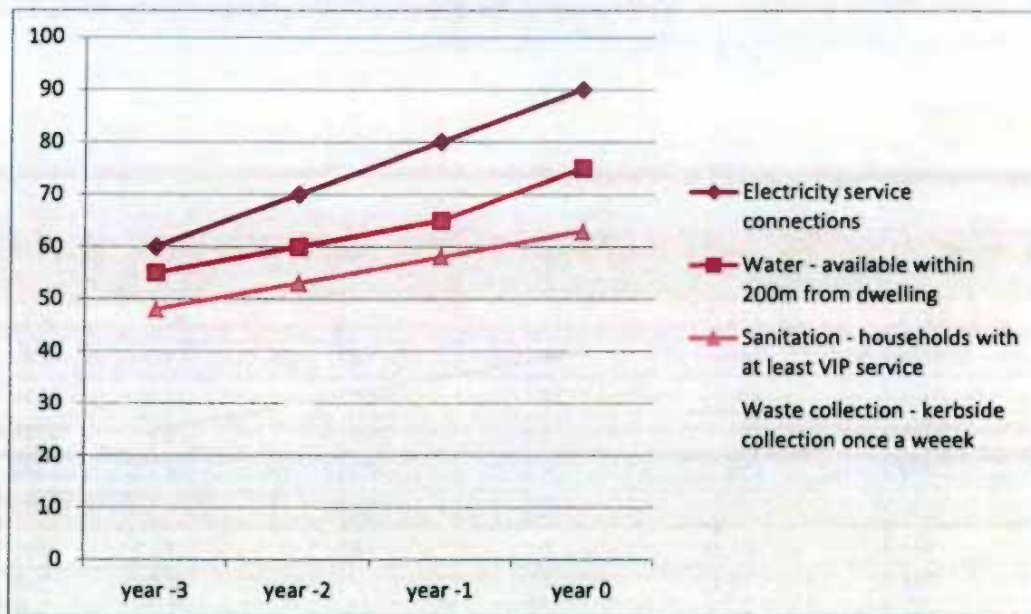
### SERVICE DELIVERY INTRODUCTION

Basic service delivery achievements have been noteworthy and are continuing. Council has acknowledged that the biggest stumbling block to transformation and development within the municipal area has been suitable access to sufficient water. Council then embarked on a multi-year strategy to improve the water supply to the consumer base of Ndlambe Municipality. Implementation of these projects is underway. Other recent service delivery achievements include the various improvements and upgrades to various Waste Water Treatment Works, Technical upgrades to sewerage systems maintenance competency within staff. Candidates were selected from existing staff to attend a National Qualification Framework Level 2 Course in process control - thirteen candidates qualified. Labour intensive road maintenance and upgrade projects

Challenges include the following:

- Increasing unemployment levels within the consumer base.
- Increasing migration from rural agricultural sector to urban nodes
- Cost of service delivery when revenue base is considered.
- Ageing infrastructure operating in physically aggressive environment

Proportion of households with access to basic services



#### COMMENT ON ACCESS TO BASIC SERVICES:

It is a well-known fact that the reliability of the yields and the quality of the water from the respective water sources is in general inadequate. Furthermore the capacity of the bulk infrastructure is also inadequate especially during peak holiday seasons when holiday makers flock to the coastal resort town and the demand for municipal water supply cannot be met. This challenge is being addressed through grant funded projects. The present status quo results in many of the households in the area augmenting the Municipal supplies by establishing private rainwater harvesting facilities, which Council encourages and enforces within the building plan application process. All formal erven have access to basic services, which includes, water, sanitation, electricity refuse removal and road access. There are various levels of service but in all cases the minimum levels of service are exceeded.

#### 1.4 FINANCIAL HEALTH OVERVIEW

*Section 216 of the Constitution of the Republic of South Africa, 1996, provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing generally recognised accounting practice, uniform expenditure classifications and uniform treasury norms and standards. The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), determines those measures for the local sphere of government and enables the Minister of Finance to further prescribe, by regulation such measures in terms of section 168 thereof.*

The application of sound financial management principles is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainable, economically and equitably to all communities.

The key objective of the Municipal Finance Management Act (2003) is to modernise municipal financial management in South Africa so as to lay a sound financial base for the sustainable delivery of services. Municipal financial management involves managing a range of interrelated components: planning and budgeting, revenue, cash and expenditure management, procurement, asset management, reporting and oversight. Each component contributes to ensuring that expenditure is developmental, effective and efficient and that municipalities can be held accountable.



The Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government. Encouragement of structured community participation in the matters of the municipality is an important focus area.

Section 216 of the Constitution of the Republic of South Africa, 1996, provides that national legislation must prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing generally recognised accounting practice, uniform expenditure classifications and uniform treasury norms and standards. The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), determines those measures for the local sphere of government and enables the Minister of Finance to further prescribe, by regulation such measures in terms of section 168 thereof.

The annual financial statements for the financial year ending 30 June 2015 have been presented on the "GRAP accounting" basis. I am pleased with the entire finance team from the meter readers to the deputy director for the effort that they put into the changes that had to be made to meet the GRAP standards. The Auditor-General issued a disclaimed audit opinion on the financial statements of the Ndlambe Municipality for the financial year ending 30 June 2014 which is a regression with the opinion issued on the previous financial year's statements. Such an opinion is not acceptable and issues raised in the report of the Auditor-General must be taken seriously and be addressed as a matter of urgency. It is very important that we receive an unqualified report for the financial year ending 30 June 2015 so that we can pre-prepare for a clean audit by the financial year ending 30 June 2016.

The Ndlambe Municipality had six matters that led to a qualified audit report for the financial year ending 30 June 2010, two matters that led to a qualified audit report for the financial year ended 30 June 2011, seven matters that led to a qualified audit report for the financial year ending 2012, and six matters that led to a qualified audit report for the financial year ending 2013.

The issues that led to a disclaimed opinion for the financial year ending 30 June 2014 were as follows;

#### **Basis for disclaimer**

##### **1. Property, Plant and Equipment**

Sufficient appropriate audit evidence was not available to support property, plant and equipment (PPE) presented in the statement of financial position and disclosed in note 9 to the financial statements, due to the following:

- The fixed asset register did not agree to the general ledger.
- The valuation of assets could not be confirmed due to the incomplete information included in the fixed asset register.
- No audit evidence was provided to support the material unexplained difference identified between the general ledger, fixed asset register and annual financial statements.

Unable to confirm the PPE by alternative means and, consequently, could not determine whether any adjustments were necessary to the PPE of R682.3 million as disclosed in note 9 to the financial statements. In addition, the municipality did not recognise assets that meet the definition of property plant and equipment, contrary to the requirements of GRAP 17 Property, plant and equipment. As a result, property plant and equipment presented in the statement of financial position and disclosed in note 9 to the financial statements and the accumulated surplus were understated by R37,3 million.

Furthermore, depreciation of PPE was not calculated correctly in terms of the requirements of GRAP 17 Property, plant and equipment, thus resulting in the depreciation expense being overstated in the statement of financial performance and the carrying value of PPE as presented in the statement of financial position and disclosed in note 9 to the financial statements being overstated by R1,8 million.

#### **Accumulated surplus**

Sufficient appropriate audit evidence was not available to support the accumulated surplus as presented in the statement of changes in net assets. Supporting documentation was not submitted for audit purposes for the differences identified between the accumulated surplus disclosed in note 44 to the financial statements and the face of the statement of changes in net assets. I was unable to confirm the accumulated surplus by alternative



means. Consequently, I was unable to determine whether any adjustments were necessary to the accumulated surplus of R627.4 million (2013: R615 million) as presented in the financial statements.

#### **Unauthorised expenditure**

Sufficient appropriate audit evidence was not available to support unauthorised expenditure disclosed in note 40 to the financial statements. Supporting schedules were not submitted for audit purposes and the statement of comparison of budget and actual amounts did not agree to disclosure note 40 on unauthorised expenditure. I was unable to confirm the unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the unauthorised expenditure of R62,3 million (2013: R62,5 million) as disclosed in note 40 to the financial statements.

#### **Irregular expenditure**

The municipality did not have adequate systems to identify and disclose all irregular expenditure incurred during the year, as required by section 125(2)(d)(ii) of the MFMA. The irregular expenditure disclosed in note 41 to the financial statements was understated in respect of amounts incurred and identified during the audit process of R14,9 million (2013: R100,3million). Due to the lack of systems, it was impracticable to determine the full extent of the understatement of irregular expenditure disclosed at R18,7 million (2013: 16,2 million) in note 41 to the financial statements.

#### **Employee benefit obligation**

Sufficient appropriate audit evidence was not available to support the retirement benefit obligation presented in the statement of financial position and disclosed in note 18 to the financial statements. Key assumptions included in the actuarial valuation could not be verified against supporting documentation. I was unable to confirm the retirement benefit obligation by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the retirement benefit obligation of R55,6 million as disclosed in note 18 to the financial statements.

#### **Provision**

The municipality did not recognise the provision for landfill site rehabilitation, as required by GRAP 19 Provisions, contingent liabilities and contingent assets, and did not measure the provisions at the best estimate of the expenditure required to settle the present obligation at the reporting date, as required by the standard. As a result, the provisions presented in the statement of financial position and the property plant and equipment presented in the statement of financial position were both understated by R47.7 million.<sup>13</sup> GRAP 1 Presentation of financial statements requires an entity to present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its statement of financial position. The municipality did not separately present the current and non-current liabilities relating to provisions.

#### **Unspent conditional grants and receipts**

Sufficient appropriate audit evidence was not available to support unspent conditional grants and receipts presented in the statement of financial position and disclosed in note 15 to the financial statements. Unspent conditional grants and receipts as disclosed in note 15 do not reconcile to note 23 government grants and subsidies. This was due to weak internal controls over the reconciliation of grants received, which resulted in inadequate grant registers being maintained throughout the year. I was unable to confirm the unspent conditional grants and receipts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the unspent conditional grants and receipts of R35,9 million as presented in the statement of financial position and disclosed in note 15 to the financial statements and the revenue from government grants and subsidies disclosed at R117,9 million in note 23 to the financial statements.

#### **Investment property**

Sufficient appropriate audit evidence was not available to support assets recognised as investment property. I was unable to confirm the investment property by alternative means. Consequently, I was unable to determine whether



any further adjustments were necessary to the investment property of R36,5 million as disclosed in note 8 to the financial statements. In addition, the municipality recognised assets that did not meet the definition of investment property as investment property, contrary to the requirements of GRAP 16 Investment property. As a result, investment property presented in the statement of financial position and disclosed in note 8 to the financial statements and the accumulated surplus were overstated by R11,7 million.

#### **Payables**

Sufficient appropriate audit evidence was not available to support payables presented in the statement of financial position and disclosed in notes 14 and 44 to the financial statements. Supporting documentation either was not submitted for audit purposes or was incomplete. I was unable to confirm payables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the payables balance of R29,6 million (R28 million) as disclosed in note 14 to the financial statements.

The municipality did not maintain adequate records of outstanding payments for goods and services received but not yet paid at year-end. The municipality did not recognise all outstanding amounts meeting the definition of a liability as per GRAP 1 Presentation of financial statements in the financial statements, resulting in an understatement of trade and other payables as presented in the statement of financial position and disclosed in note 14 to the financial statements as well as expenditure by R19,2 million.

#### **Inventory**

Sufficient appropriate audit evidence was not available to support inventory as presented in the statement of financial position and disclosed in note 3 to the financial statements. Supporting documentation in respect of housing transfers either was not submitted for audit purposes or was incomplete. I was unable to confirm the inventory by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the housing inventory of R24,8 million as disclosed in note 3 to the financial statements.

#### **Cash flow statement**

The recalculated statement of cash flows contained a material variance amounting to R11.2 million (2013: R16,7 million). Sufficient appropriate supporting documentation and calculations were not provided for the identified variance as well for differences identified between the face of the statement of cash flow and other disclosures in the financial statements. Consequently, the amounts disclosed in the cash flow statement did not fairly present the cash inflows and outflows of the municipality for the current and prior period.

#### **Prior period restatement disclosure**

The municipality restated prior year financial line items to correct errors discovered in the current year. The municipality did not disclose all the restatements to corresponding figures as per GRAP 3 - Accounting policies, Changes in accounting estimates and errors. GRAP 3 requires the adjustment to be disclosed for each financial statement line item that is restated for the current and prior period. The following adjustments should have been included:

- Cash and cash equivalents was restated by R5,5
- Unspent conditional grants and receipts were restated by R29 million

Consequently, the financial statements did not achieve fair presentation as the information presented was not comparable.

#### **General expenditure**

The municipality did not maintain adequate records of expenditure incurred in respect of goods received and services rendered during the year. The municipality did not recognise receipts of goods and services that meet the definition of an expense as per GRAP 1 Presentation of financial statements in the financial statements, resulting in an understatement of general expenditure as presented in the statement of financial performance and disclosed in note 34 to the financial statements as well as payables presented in the statement of financial position and disclosed in note 14 by R4,1 million.

#### **Interest received – investment**

The municipality did not measure revenue from interest income at the fair value of the consideration received or receivable, as required by GRAP 9 Revenue from exchange transactions, and did not calculate interest accurately. Interest received presented in the statement of financial performance was understated by R4 million, while receivables from exchange transactions as presented in the statement of financial position were understated by the same amount.

#### **Contingencies**

Sufficient appropriate audit evidence was not available to support contingencies as disclosed in note 37 to the financial statements. Management has further not made an assessment of the probability of the outflow and inflow of economic benefits or service potential relating to the contingent liabilities respectively or maintained records relating to claims from third parties. I was unable to confirm the contingent liabilities and assets by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to contingent liabilities and assets by alternative means as disclosed in note 37 to the financial statements. Further, the municipality did not disclose all items meeting the definition of a contingent liability as per GRAP 19 - Provisions, contingent liabilities and contingent assets. Consequently, the disclosure for contingent liabilities is understated.

#### **Aggregated misstatements in current year figures**

The financial statements as a whole were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position, statement of financial performance and disclosures:

- Commitments were understated by R2,4 million.
- Personnel was overstated by R2,3 million (2013: R1,26 million).
- Property rates were overstated by R2,1 million.
- Receivables from exchange transactions were understated by R2 million (2013: R0,97 million).
- Receivables from non-exchange transactions were overstated by R2,1 million.
- Debt impairment was overstated by R0.95 million.
- Government grants and subsidies were understated by R0,65 million.
- Financial liabilities were understated by R0,5 million.
- Fruitless and wasteful expenditure was understated by R0,2 million.

In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm the following by alternative means:

- Licences and permits of R3,5 million as presented in the statement of financial performance.
- Cash and cash equivalents of R21,3 million as presented in the statement of financial position.
- The VAT payable of R2,8 million as presented in the statement of financial position.

Consequently, I was unable to determine whether any adjustments to these items were necessary.

#### **Corresponding figures**

During the 2012-13 year, my report on the financial statements for the year ended 30 June 2013 was modified in respect of the following matters.

#### **Commitments**

The municipality did not have an adequate and complete contract management system to identify and recognise contracted commitments, and did not disclose commitments as per GRAP 17 Property, plant and equipment. The comparative disclosure for commitments was understated by R2,7 million. Sufficient appropriate audit evidence was not available to support commitments as disclosed in note 36 to the financial statements. Supporting documentation either was not submitted for audit purposes or was incomplete. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the commitments as disclosed in note 36 to the financial statements.



### **Aggregated misstatements in corresponding figures**

The financial statements as a whole were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the elements making up the statement of financial position and the statement of financial performance. I was unable to obtain sufficient appropriate audit evidence and to confirm the following by alternative means:

- Personnel of R80,9 million as presented in the statement of financial performance and disclosed in note 25 to the financial statements.
- Receivables from exchange transactions of R26.6 million as presented in the statement of financial position and disclosed in note 5 to the financial statements.
- Receivables from non-exchange transactions of R6,8 million as presented in the statement of financial position and disclosed in note 4 to the financial statements.

As a result, I was unable to determine whether any adjustments to these corresponding elements were necessary. My audit opinion on the financial statements for the period ended 30 June 2013 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Every effort was made to address the issues raised by the Auditor-General in both the audit report and the audit management letter. An audit check list was developed and is been monitored by the internal auditor to ensure that we improve in the areas identified. Further controls and action plans have been implemented by the finance directorate to ensure that the financial statements are prepared timeously and that we work towards a clean audit by the financial year ending 2016. To achieve a clean audit is going to be a challenge and all offices and directorates are going to have to pull together as a team to achieve the objective. The compilation of the financial statements and the audit undertaken by the auditor-general's office is no longer just a finance issue.

The demands on the finances of the Ndlambe Municipality continue to be significant as backlogs in services, aging infrastructure, and maintenance remain a serious challenge. Emphasis has to be put on enhancing our revenue streams and collecting debt due to the Ndlambe Municipality by consumer and ratepayers that have the ability to pay. Households that receive indigent grants that are in fact not indigent also need to be addressed.

The internally funded capital budget of only R5 million, the reduction in the maintenance budget and reducing budgets for depreciation/bad debts provision/income foregone as a means to balance the budget and the increase to our customer's needs to be seriously addressed in future financial years as the aging infrastructure needs to be replaced and maintained.

A major challenge that continues to face the administration of the Ndlambe Municipality and highlighted in the Auditor-Generals management letter, is the implementation and compliance to regulations emanating from the Municipal Finance Management Act including but not limited to supply chain management issues, asset management and budget control.

### **MUNICIPAL FINANCIAL VIABILITY**

The following table indicates the municipality's performance in terms of the National Key Performance Indicators required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and section 43 of the MSA. These key performance indicators are linked to the National Key Performance Area namely Municipal Financial Viability and Management.

## FINANCE DIRECTORATE

The finance directorate is a support directorate to other directorates and customers of the Ndlambe Municipality. The finance directorate consists of four sections namely the Budget and Treasury Office, Supply Chain Unit, Revenue and Expenditure. The main office of finance is situated in Port Alfred with three satellite offices in Alexandria, Kenton-on-Sea and Bathurst.

The objectives of the finance directorate for the 2014/2015 financial year were as follows;

- To revise and complete the entire Municipality's asset register to be GRAP Compliant (Generally Recognised Accounting Practice)
- Ndlambe is able to raise sufficient revenue (internal and external sources) and manage the assets to meet their responsibilities in terms of service delivery incorporating both capital and operational costs
- An updated (contemporary) financial system of Ndlambe is optimally used by competent staff
- To maintain Finance assets
- To improve communication of the budget process
- Households living below the poverty line, as well as vulnerable groups, have improved access to all required basic services, health facilities and social/ work creating programs
- Develop the Supply Chain Management Unit to be in line with the SCM policy and meet the requirements of good practice and address all issues raised in the report of the Auditor-General
- To ensure financial resources are utilised in an economical, efficient and effective manner
- Develop the capacity of the Budget and Treasury Office (BTO) to meet the requirements of credible financial management.
- To ensure that all revenue is collected on a monthly basis to cover the operating expenditure of the municipality on a daily basis
- To ensure all indigents have access to free basic services.
- To ensure an effective customer care service to all residents.
- To work toward a clean audit by 2015

To meet the above objectives the following indicators were set that we needed to achieve;

- Percentage of progress made towards maintenance and rehabilitation of Asset register including all Finance Leases, Operating Leases, Infrastructure Assets and municipal and Investment properties
- New asset acquisitions are recorded/captured on a monthly basis.
- The existence of all assets is verified half yearly.
- All assets acquired are bar coded and insured on a monthly basis.
- Percentage increase in the possible local revenue base
- 100% spending of FMG and MSIG funds
- Increase in % of equitable share based on more accurate statistics in terms of the DORA
- Percentage decrease in non payment
- Percentage of elements of financial system utilized
- Increased in number of staff trained to effectively use the financial system
- Increase in number of useful reports generated for planning and monitoring purposes
- Increase in the investments of maintenance / upgrade of financial system
- Number of reports that meet the legal requirements at the right time
- Percentage of improved cash flow by reducing expenditure to match actual cash on hand.
- Number of Finance assets assessed and ensuring that they are utilized economically.
- Relevant advertisements and loud hailing are done within the legislated time frames
- Increase in number of households benefiting from poverty alleviation programs
- Fully operational SCM unit in line with SCM Policy and MFMA implemented
- Income and expenditure reports are provided on a monthly basis to offices and directorates for them to do budget control.
- Infrastructure investment plan is developed for development priorities in the IDP
- BTO is capacitated and trained in line with treasury guidelines (structure) and to work towards a clean audit by 2015



- Relevant officials are trained to ensure that they are able to contribute to the financial management system (treasury departments and departmental managers)
- A process plan in place to ensure all new buildings, additions to buildings, re-zoning of properties, subdivisions and consolidations are forwarded to the finance directorate on a monthly basis for billing and valuation purposes.
- All residents who do not have the financial means to pay for basic services in terms of the indigent policy are registered.
- A complaint register to reduce number of complaints from residents resulting from system errors is developed
- Increase in response time and resolution of complaints to be within 7 days of receipt

#### **Finance Directorate Challenges**

The following general challenges were experienced by the finance directorate for the year ending 30 June 2015;

- Financial viability to ensure sustainability
- Turnaround time of customer queries and complaints
- Asset maintenance and asset control to ensure sustainability
- Revenue enhancement
- Lack of office space
- Staff establishment
- Reduction of bad debt, depreciation and income foregone budget to reduce the tariff percentage increase to ratepayers and consumers
- Water losses where Amatola Water to be paid for water lost
- Impact of SCOA and National Treasury Guidelines on the procurement of a new financial system
- Decentralisation of the supply chain unit

#### **Municipal Regulations on a Standard Chart of Accounts (SCOA)**

In terms of section 169(1) (b) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the Minister of Finance has signed into effect and subsequently published the Municipal Regulations on a Standard Chart of Accounts (SCOA) in terms of Notice 312 of 2014, Government Gazette No. 37577 (attached) subsequent to formal consultation. The Municipal Regulations on a Standard Chart of Accounts inter alia makes provision for an updated GFS Classification Framework, Detailed Classification Framework of the 7 Segments (SCOA Version 5).

In preparation for the implementation by all 278 municipalities by 1 July 2017, the National Treasury, in collaboration with the respective provincial treasuries will be undertaking the next phase of the SCOA Project, namely SCOA Project Phase 4, Change Management and Piloting of the SCOA classification framework version 5. The necessary structures will be established and municipalities and other stakeholders will be informed in due course of the way forward.

Ndlambe Municipality, unfortunately, was not declared a Pilot Site by National Treasury however the ABAKUS financial system will not be able to be upgraded to meet SCOA requirements so a new financial system that is SCOA compliant will have to be procured. To meet the target date of 1 July 2017, the Standard Chart of Accounts must be implemented from 1 July 2015, in order to effectively roll-out of the SCOA implementation plan that has been adopted.

# EMPLOYEE BENEFITS AS AT 30 JUNE 2015

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the 2014/2015 financial year and the past two financial years and it will be noted that the municipality is within the national norm of between 35 to 40%:

Financial year	Total Expenditure salary and allowances	Total Operating Expenditure (R'000)	Percentage
2012/2013	87 943 786	246 428 273	35.69%
2013/2014	96 372 292	259 183 963	37.18%
2014/2015	106 460 133	244 612 251	43.52%

Below is a summary of Councillor and staff benefits for the year under review:

Financial year	2012/2013	2013/2014	2014/2015
Description	Actual	Actual	Actual
<b>Councillors (Political Office Bearers plus Other)</b>			
Salary Package	4 981 395	5 173 279	5 610 168
<b>Senior Managers of the Municipality</b>			
Salary Package	4 848 335	5 908 397	5 634 318
<b>Other Municipal Staff</b>			
Basic Salaries and Wages	46 262 661	51 243 761	57 720 837
Pension Contributions	7 432 434	8 587 814	9 678 996
Medical Aid Contributions	5 296 056	6 071 043	6 950 774
Motor vehicle allowance	2 655 734	2 712 647	2 968 123
Cell phone allowance	277 399	301 340	306 840
Housing allowance	309 628	366 639	375 194
Overtime	7 202 267	6 181 525	7 237 031
Stand-by Allowance	938 258	939 355	1 210 862
Group Life	462 542	449 723	321 827
13 <sup>th</sup> Cheque	3 591 919	4 072 296	4 501 688
Long Service Bonuses	166 633	225 409	230 313
Other benefits / allowances	3 518 525	4 139 064	3 713 162
Sub Total	78 114 056	85 290 616	95 215 647
Total	87 943 786	96 372 292	106 460 133

Names of pension fund	Number of members	Names of Medical Aids	Number of members
Cape Joint Pension Fund	6	LA Health	69
Cape Joint Retirement Fund	269	Bonitas	148
SALA Pension Fund	44	SAMWU National Medical Scheme	131
SAMWU National Pension Fund	103	Hosmed	7
Sanlam Pension Fund	30	Key Health	2



## **SUPPLY CHAIN MANAGEMENT**

### **Overview Supply Chain Management**

REPORT FOR THE PERIOD 1 JULY 2014 TO 30 JUNE 2015

*Extracted from the SCM Policy as approved by Council on 30 May 2014:*

*"6. Oversight role of the council*

*(3) For the purposes of such oversight, the accounting officer must –*

*(a) within 30 days of the end of each financial year, submit a report on the implementation of this policy to the council through its mayor;*

*(b) whenever there are serious and material problems in the implementation of this policy, immediately submit a report thereon to the council through its mayor.*

*(4) The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of this policy to the mayor.*

*(5) The aforesaid reports must be made public in accordance with section 21A of the Municipal Systems Act."*

During the third quarter of the 2015 Financial Year, the two permanent and one contract members of the Unit continued to face many challenges, due mainly to an insufficient number of staff members in the Unit to carry out the full range of duties as set out in the Municipality's Supply Chain Management Policy.

The post which is currently being filled by the contracted employee has been approved on the organogram and has been provided for in this Unit's 2014 and 2015 operating budget. To ensure sustained compliance with Best Practice processes, and to address to issues raised previously by the Auditor-General, it is considered essential that this new post be filled on a permanent basis as soon as possible. However, it has become apparent that the Task Grading in respect of this new post has still not yet been completed, and it would appear that a permanent appointment cannot be made until this process has been concluded. Concerns therefore remain regarding continuity.

### **Decentralised Supply Chain Processes**

It remains a challenge to fully and comprehensively comply with the administrative and reporting requirements of legislation due to the currently dispersed nature of responsibility for the various Supply Chain Management functions.

The lack of central co-ordination regarding Supply Chain matters such as bid notice preparation, bid committee minutes and agendas, notice placement and other related issues remain an obstacle in complying with the required processes contained within the Supply Chain Management Policy.

Although the ideal situation would be to establish a fully-fledged centralised Procurement Section at Ndlambe Municipality, the problem remains that it would be an extremely costly exercise, and would place enormous strain on the overall constraints of restricting increases in budget expenditure. However, until such time that this situation is comprehensively addressed, the Municipality will run the risk of not fully complying with legislated requirements.

### **Staff Post Evaluations**

The post of Supply Chain Clerk remains the only currently occupied post which has yet to be task graded. No firm indication has been provided by the Human Resources Section as to when this evaluation will be completed.

### **Supplier Database Program**

The Supplier Database program, which was developed specifically for Ndlambe Municipality in 2006, became completely non-functional when the Acquisition Officer's computer was upgraded before the commencement of the 2012 financial year. This Unit is therefore currently unable to process applications from suppliers to be registered on the database, which has resulted in compliance issues being raised by the Auditor-General. The Head: Supply Chain Management is currently converting and adapting the present Creditors Database as a basis for establishing a compliant Supplier Database for Ndlambe Municipality. This project is expected to be completed by 30 April 2015, after which an invitation notice, as required by the Supply Chain Management Policy, will be published. It should also be noted that, in terms of National Treasury recommendations, no acquisition of new/replacement software of any type should take place until such time that the accredited service providers (SCOA compliant) have been named by National Treasury.

### **Minimum Competency Levels**

Section 119(1) of the MFMA states that: "The accounting officer and all other officials of a municipality or municipal entity involved in the implementation of the supply chain management policy of the municipality or municipal entity must meet the prescribed competency levels."

Both the Head: Supply Chain Management and Acquisition Officer must therefore comply with the requirements of the National Treasury: Local Government: Municipal Finance Management Act: Municipal Regulations on Minimum Competency Levels in this regard.

The Head: Supply Chain Management commenced the required studies in April 2013 and should meet the competency requirements by early 2016 as the outstanding Unit Standards will be presented only on a distance learning basis by the training provider, Stellenbosch University. The Acquisition Officer commenced with these required studies during 2015 financial year.

The Acquisition Officer is enrolled at Fort Hare University, but, due to a sudden serious illness, was unable to attend any training during the quarter under review.

### **Abakus System shortcomings**

There many shortcomings regarding the quality of the actual orders which are generated by the Abakus system, and matters such as Delivery Data, Comments, Supplier Reference Numbers, Ndlambe VAT Vendor Number and other data need to be incorporated into the order format. Due to the current apparent lack of support and development for this financial system, the shortcomings will most probably only be addressed once an alternative system is commissioned. The timing of this is unknown as it is dependent on a SCOA Regulations NT compliant system which has not yet been announced by Treasury.

### **Deviations from SCM Processes**

Although tendering procedures and many other provisions of the Supply Chain Management Policy were adhered to, many deviations (as defined in Section 36 of the SCM Regulations and Para 39 of Ndlambe Municipality's SCM Policy), mostly relating to the Informal and Formal Written Quotation provisions, still occur on a regular basis. During the quarter under review, 108 authorised deviations, with a total value of R2 223 218, were submitted in support of acquisition documentation to the SCMU. Concerted efforts are continually being made by the Supply Chain Management Unit to inform user departments of ways to decrease their reliance on using deviations to support acquisitions.



### Review of Formal Written Quotation and Competitive Bid documentation

During the quarter under review, the SCMU reviewed and performed preferential points calculations in respect of 16 Formal Written Quotation invitations (acquisitions from R30 000 to R200 000) and Competitive Bids (acquisitions greater than R200 000) with a total value (based on the prices of the highest points scoring bidders) of R2 077 824.

### Matters arising from the 2014 statutory audit

The outcomes of this audit emphasise that, in order to achieve full legislative compliance regarding the implementation of the Supply Chain Management Policy, a fully centralised Supply Chain Management system needs to be established. This would, inevitably, be an extremely costly exercise and to adequately address the affordability issue could very well necessitate excessively high increases in rates and/or tariffs.

Financial Year	Activity	Total for year	Monthly Average	Daily Average
2014/2015	Requisitions Processed	3 303	275.25	13.2
2014/2015	Orders Processed	3 303	275.25	13.2
2014/2015	Petty Cash Issues	R3 292.18	R274.35	R 11.93

Type of deviation	Number of deviations	%	Value of deviations	Percentage of total deviations value
Section 36(1)(a)(i)-Emergency	35	7.35	411 385.56	1.348
Section 36(1)(a)(ii)-Sole Supplier	46	9.66	435 047.08	1.426
Section 36(1)(a)(iii)-Unique arts	0	0	0	0
Section 36(1)(a)(v)-Impractical / impossible	395	82.99	29 654 194.79	97.226
<b>Total</b>	<b>476</b>		<b>30 500 627.43</b>	

### Awards recommended by the Bid Adjudication Committee to the Accounting Officer and approved by the Accounting Officer

The highest bids recommended by the bid adjudication committee to the Accounting Officer and approved by the Accounting Officer for 2014/2015 are as follows:

Tender Number	Date of award	Title of bid	Successful Bidder	Value of bid awarded
Deviation	2014/10/08	Upgrading of Bulk Sewer and Internal Reticulation in Marselle Township	LRC Civils	17 094 912.28
122/2014		Upgrading of Bulk Water Supply in Bathurst: Reservoir Upgrade	LRC Civils	12 677 651.87
04/2015	2015/06/03	Upgrading of Bulk water Supply in Bathurst: Water Reticulation	Mbumba Projects	8 170 337.64
125/2014	2014/09/26	Refurbishment of Existing Sewerage infrastructure in Alexandria, Kenton on Sea and Port Alfred	Amani Solutions	3 650 000.00
Deviation	2015/05/13	Water Conservation and Water Demand Management	Resolve Consulting (PTY) LTD	3 335 000.00

## SERVICE PROVIDERS TO THE FINANCE DIRECTORATE STRATEGIC PERFORMANCE

Section 76(b) of the MSA states that KPIs should inform the indicators set for every municipal entity and service provider with whom the municipality has entered into a service delivery agreement.

Service provider means a person or institution or any combination of persons and institutions which provide a municipal service

- External service provider means an external mechanism referred to in section 76(b) which provides a municipal service for a municipality
- Service delivery agreement means an agreement between a municipality and an institution or person mentioned in section 76(b) in terms of which a municipal service is provided by that institution or person, either for its own account or on behalf of the municipality.

Section 121(b) of the MFMA and Section 46 of the MSA further state that a municipality should include the following related to service providers in its annual report:

- The performance of each service provider
- Comparison of the performance with targets set for and performances in the previous financial year; and
- measures taken to improve performance

Section 116(2) of the MFMA further states that:

The accounting officer of a municipality must:

- take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity is properly enforced;
- monitor on a monthly basis the performance of the contractor under the contract or agreement;

The following table is to provide information related to the performance of external service providers that were utilised by the finance directorate during the 2014/2015 financial year;

Contract name	Supplier name	Type of services rendered	Term of contract (in months)	Performance	Average rating	Comment and/or corrective action when under performed
Banking Services	FNB	Banking	Expired	Only issue was the slow response on electronic banking	Good	N/A
Delivery of Accounts	CAB Holding	Mailing of debtor accounts	Month to Month	Issues with e-mailed accounts	Fair	N/A
Asset Verification	PWC	Compile asset register	5 Months	Slow hand-over	Good	N/A
GRAP Advisor	Lori	Assistance with AFS	5 Months	Insufficient skills transfer	Fair	N/A
Supplementary Valuation	Penny Lindstrom	Property Valuation Services	4 years	Insufficient data for appeal hearing	Fair	Matter addressed by using additional staff



## FINANCE RELATED BY-LAWS

By-laws Introduced during 2014/2015					
Newly Developed	Revised	Public Participation conducted prior to adoption of by-laws (yes/no)	Dates of public participation	By-laws Gazetted* (yes/no)	Date of publication
0	0	N/A	N/A	N/A	N/A

## COMMENT ON BY-LAWS:

The finance policies that were reviewed and adopted for the 2014/2015 financial year did not necessitate any amendments to the financial by-laws that are in place. The finance related by-laws are available on the municipal web-site and at the finance offices.

## FREE BASIC SERVICES AND INDIGENT SUPPORT

The free basic services were funded from the "equitable share" grant received from National Treasury.

The criteria for an Indigent Household for 2014/2015 were as follows:

- ✓ The applicant must be a resident of the municipality.
- ✓ The applicant must be in possession of a valid South African identity document.
- ✓ The combined or joint gross income of all occupants or dependants in a single household which receives services from the municipality may not exceed the thresholds determined by the municipality annually during consideration of the budget for the next financial year. The guideline relating to the household income threshold for a 100% rebate is an income of not more than two state pensions per month. The guideline relating to the threshold for a 30% rebate is an income between two government state pensions and R3500 per month.
- ✓ The applicant must be the owner or tenant who receives municipal services and is registered as an account holder on the municipal financial system; provided that the requirement of being registered as an account holder does not apply to households in informal settlements where no accounts are rendered nor in rural areas where no accounts are rendered.
- ✓ Any occupant or resident, as per the definition of indigent, of the single household referred to above may not own any property in addition to the property in respect of which indigent support is provided.
- ✓ A tenant can apply for the benefits in respect of the charges he/she is billed for while the landlord remains liable for all ownership related charges such as rates.
- ✓ The account of a deceased estate, may be subsidised if the surviving spouse or dependants of the deceased who occupy the property, applies for assistance.
- ✓ Ratable house value of less than R200 000.
- ✓ Any one of the following factors will serve as a disqualification :
  - ✓ Where the applicant is a subscriber to either M-net or DSTV;
  - ✓ Where the applicant has or allows any business to be operated on the property
  - ✓ Where there is no written service agreement with the applicant;
  - ✓ Where the applicant owns more than one property
  - ✓ Where any of the documents requested in the application is not supplied.

Water leaks on the consumer side of indigent households are repaired at no cost to the household by the municipality. Great savings on water losses were affected by these actions. The municipality needs to ensure that all indigent households have pre-paid electricity and water flow limited meters to keep consumptions to the limit allowed by the policy.

The following tables indicate the percentage of indigent households that have access to free basic municipal services. In accordance with the approved indigent policy of the municipality, all households earning less than R2 800 per month will receive the free basic services as prescribed by the Ndlambe Municipality Indigent Policy.

Financial year	Total Households to Number of Indigent Households								
	Total of all Houses	Electricity		Water		Sewer		Refuse	
		Total Indigent Houses	%	Total Indigent Houses	%	Total Indigent Houses	%	Total Indigent Houses	%
2012/2013	8447	5422	64.2%	8411	99.5%	4144	49.1%	7882	93.3%
2013/2014	8905	6330	71.1%	8733	98.1%	4248	47.7%	8332	93.6%
2014/2015	9618	6339	65.9%	8108	84.3%	4310	44.8%	8414	87.5%

Financial year	Total Households to Number of Indigent Households		
	Type of Alternate Energy Provided	Alternate Energy	
		Total Indigent Houses Receiving Free Alternate Energy	
2012/2013	None	NIL	
2013/2014	None	NIL	
2014/2015	Gel and Stoves	1276	

Financial Performance 2013/14: Cost to Municipality of Free Basic Services Delivered						
Category	2012/2013	2013/2014	2014/2015			
	Actual	Actual	Budget	Adjusted Budget	Actual	Variance %
	R'000					
Rates	1 395	1 952	1 474	-	2125	31%
Electricity	359	3 115	4 677	-	3217	-45%
Water	6 267	7 152	8 575	-	6867	-25%
Sanitation	7 455	8 412	9 284	-	9517	2%
Solid Waste	6 277	7 292	7 246	-	7727	6%
Alternate Energy	-	-	4 375	-	1619	-170%
Other	4 481	4 692	5 773	-	4948	-17%
TOTAL	26 234	32 616	41 403	-	36 020	-15%



# FINANCIAL SERVICES – DEBT RECOVERY

Debt Recovery (R'000)							
Details of the type of account raised and recovered	2014/2015		2013/2014			2012/2013	
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in year	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Estimated outturn for accounts billed in the year	Estimated proportion of accounts billed that were collected %
Property Rates	68 994	62.9%	58 549	58 549	67.6%	52 065	88.8%
Electricity – B	37 389	94.1%	37 896	37 896	89.7%	40 012	112.1%
Electricity – C	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water – B	25 573	63.8%	27 513	27 513	50.6%	22 559	72.1%
Water – C	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sanitation	2 099	78.1%	1 470	1 470	80.0%	1 294	98.3%
Refuse	19 121	33.7%	17 441	17 441	33.2%	15 678	90.7%
Other	33 396	133.7%	24 427	24 427	182.2%	24 039	89.0%
B – Basic; C- Consumption. See chapter 6 for the Auditor General's rating of the quality of the financial accounts and the systems behind them.							

DEBTORS AGE ANALYSIS AS AT 30 JUNE 2015

Categories	Pre-Inv	30 Days	60 Days	90 Days	120 Days	150 Days	180 Days	H/Over	Arrange	Int/Col	Total
Cat 00	-5 028	-	-	-	-	-	-	-4 519	-400	-	-9 947
Rates (Yearly)	-89 286	1 057	525 067	-	-	13 401	1 979 466	501 694	-17 121	1 095 771	4 010 048
Rates (Monthly)	-579 404	5 523 618	2 437 710	1 142 641	934 451	854 155	13 606 816	1 107 260	-11 511	2 299 536	27 315 272
Service Charge	-60 243	76 339	61 200	60 405	60 078	61 010	4 043 239	1 646 335	-1 250	1 714 866	7 661 978
Water	-1 188 886	2 275 933	801 552	586 232	473 893	455 002	11 509 673	2 309 358	-300	2 120 485	19 342 943
Sewage	-81 549	592 135	313 261	228 685	213 982	235 583	5 325 954	1 295 213	-100	969 550	9 092 715
Sanitation	-63 703	117 801	77 806	24 984	67 332	23 669	720 578	123 903	-	101 678	1 194 048
Refuse	-181 743	835 839	378 561	276 812	248 456	232 058	6 043 860	1 341 888	-	1 258 659	10 434 390
Electricity	-306 933	4 215 580	1 115 739	467 014	264 798	232 267	3 279 256	1 427 305	-	416 595	11 111 620
Housing	-79 614	3 034	1 956	1 956	1 956	1 956	138 952	147 198	-	62 526	279 922
Legal Fees	-580 812	10 852	21 365	2 640	19 150	11 040	1 238 865	-75	-	2 836	725 863
Indigent Charge	-22 292	-	-	-	-	-	31 837	7 684	-	20 945	38 174
Sundry	-2 202 075	120 381	56 837	46 148	44 384	57 939	1 464 076	398 458	-	477 668	463 816
Environmental Levy	-340 887	258 475	117 338	90 649	83 030	78 480	2 157 950	59 904	-	351 750	2 856 688
Total	-5 782 456	14 031 043	5 908 392	2 928 167	2 411 511	2 256 562	51 540 520	10 361 607	-30 681	10 892 866	94 517 530



# NDLAMBE TOTAL YEAR TODATE DEBTORS - AGE ANALYSIS AS AT JUNE 2015

	MAY	HAND OVERS	PENALTY INTEREST	+ 90 DAYS	60 DAYS	30 DAYS	CURRENT	TOTAL
Rates (Yearly)	4 050 520	501 693.75	1 095 771.14	1 975 746.67	-	525 066.81	-88 229.98	4 010 048
Rates (Monthly)	27 001 775	1 107 259.82	2 299 535.61	15 384 755.04	1 142 659.61	2 437 710.38	4 943 351.84	27 315 272
Service Charge	8 700 734	1 645 084.64	1 714 866.30	4 164 326.97	60 404.87	61 200.22	16 095.45	7 661 978
Water	26 465 791	2 309 058.23	2 120 485.00	12 442 379.22	586 345.28	801 785.58	1 082 889.36	19 342 943
Sewage	10 974 235	1 295 113.41	969 549.93	5 775 518.85	228 685.27	313 261.39	510 586.06	9 092 715
Sanitation	1 288 729	123 903.27	101 677.75	811 578.57	24 984.33	77 805.67	54 098.10	1 194 048
Refuse	12 170 042	1 341 888.23	1 258 658.92	6 524 374.72	276 812.25	378 560.52	654 095.80	10 434 390
Electricity	11 261 251	1 427 305.01	416 595.29	3 776 573.69	467 500.72	1 116 858.30	3 906 786.84	11 111 620
Housing	290 493	147 197.75	62 525.89	142 865.27	1 956.46	1 956.46	-76 580.10	279 922
Legal Fees	964 465	-74.74	2 836.24	1 269 055.88	2 639.91	21 365.20	-569 959.66	725 863
Indigent Charge	49 502	7 684.48	20 944.97	31 836.60	-	-	-22 291.94	38 174
Sundry	869 699	393 429.89	477 668.49	1 566 398.78	46 148.28	56 836.60	-2 086 612.70	453 869
Enviromental Levy	3 287 798	59 903.79	351 750.03	2 319 459.43	90 648.75	117 337.64	-82 412.04	2 856 688
<b>TOTAL : June 2015</b>		<b>12 322 556</b>	<b>10 009 095</b>	<b>60 151 596</b>	<b>4 008 633</b>	<b>5 656 261</b>	<b>8 179 464</b>	<b>94 517 530</b>

FINANCIAL SERVICES – DEBT RECOVERY

		2014/15 Monthly Billings													
DESCRIPTION	VOTE	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL	
Property Rates	01 01 05 01 3010 081	8 064 699	5 605 318	5 552 379	5 505 843	5 463 402	5 477 001	5 446 948	5 471 262	5 427 969	5 408 506	5 557 774	6 012 922	68 994 022	
Electricity	01 10 20 45 3010 088	2 009 924	3 677 744	3 134 273	3 426 199	3 538 222	3 355 050	3 893 042	3 162 647	2 999 601	3 296 420	1 660 693	3 234 749	37 388 564	
Water	01 15 20 55 3010 084	1 567 508	2 042 386	2 417 264	2 546 268	2 336 407	2 600 928	2 723 295	1 489 765	1 608 678	2 411 899	1 486 655	2 242 009	25 573 062	
Sanitation	01 01 05 01 3010 086	185 481	243 406	260 660	234 779	223 687	148 044	184 623	99 731	124 232	110 084	154 255	130 099	2 099 079	
Refuse	01 01 05 01 3010 087	1 729 940	1 536 850	1 530 856	1 529 320	1 724 457	1 697 721	1 676 285	1 557 435	1 541 300	1 537 689	1 531 618	1 527 931	19 121 400	
Other	n/a	4 926 407	3 073 008	2 297 990	2 245 623	2 446 000	2 413 450	2 319 462	2 290 974	2 227 591	2 223 388	4 504 515	2 427 952	33 396 359	
<b>Total</b>		18 583 959	16 178 711	15 193 422	15 488 032	15 732 173	15 692 193	16 243 654	14 071 814	13 929 371	14 987 985	14 895 510	15 575 662	186 572 486	

		BILLING RECEIPTS 2014/15													
DESCRIPTION	VOTE	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL	
Property Rates	01 01 05 01 3010 081	3 168 756	3 236 321	3 723 135	4 130 814	4 036 373	3 876 818	3 821 669	3 174 752	3 975 547	3 554 776	3 217 461	3 505 691	43 422 112	
Electricity	01 10 20 45 3010 088	2 661 363	3 068 905	3 167 381	3 306 266	3 116 045	2 874 547	2 763 030	2 739 612	3 138 163	2 630 446	2 642 803	3 080 563	35 189 126	
Water	01 15 20 55 3010 084	1 125 309	1 081 057	1 342 820	1 537 350	1 510 457	1 452 639	1 451 792	1 348 451	1 530 186	1 252 619	1 283 067	1 399 199	16 314 944	
Sanitation	01 01 05 01 3010 086	166 234	125 958	164 909	110 926	127 318	183 467	118 135	118 681	200 443	73 907	104 705	144 438	1 639 121	
Refuse	01 01 05 01 3010 087	483 504	501 954	525 278	552 462	497 373	597 390	576 940	524 044	595 901	520 565	527 123	542 792	6 445 325	
Other	n/a	3 805 450	4 001 818	4 280 683	3 320 630	3 243 512	3 030 282	3 627 610	3 706 977	4 031 480	3 809 907	3 757 947	4 037 333	44 653 630	
<b>Total</b>		11 410 616	12 016 013	13 204 206	12 958 447	12 531 079	12 015 143	12 359 177	11 612 518	13 471 720	11 842 220	11 533 105	12 710 016	147 664 258	



# 1.2.8 Debtor Analysis : Amount Outstanding over 30;60;90 & 120

Categories	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Current	1,305,725.75	3,956,731.93	3,857,533.45	4,457,846.41	4,260,641.93	3,925,385.59	4,028,135.42	4,147,435.04	4,138,748.64	4,146,185.09	5,026,269.75	4,655,121.86
30 days	7,404,301.21	4,519,318.86	2,261,514.68	2,117,354.07	2,280,707.99	2,246,046.04	1,939,596.67	2,401,068.42	2,034,507.60	1,951,337.63	2,013,273.05	2,963,777.19
60 days	1,728,651.93	1,086,794.77	3,237,057.44	1,427,164.42	1,461,612.49	15,492,011.97	1,327,469.10	1,268,177.59	1,356,437.58	1,267,974.46	1,241,012.42	1,142,659.61
90 +	12,678,075.43	12,138,256.66	12,661,152.54	14,858,725.16	15,200,861.94	15,492,011.97	15,927,697.20	16,459,354.39	16,717,356.93	17,125,635.00	17,743,276.39	17,940,501.71
Interest	1,991,483.50	2,067,203.91	2,145,675.13	2,239,933.26	2,318,513.41	2,357,986.22	2,452,174.95	2,530,023.02	2,608,566.24	2,707,316.02	3,369,869.32	3,395,305.75
Handed over	3,068,311.89	3,041,611.89	3,090,962.92	2,943,341.48	2,912,467.87	2,928,711.25	2,934,800.88	2,905,598.87	2,900,891.53	2,910,914.52	1,658,644.37	1,608,953.57
Total	25,966,118.54	26,821,418.02	27,180,116.18	28,044,386.80	28,466,705.63	28,834,605.69	28,834,374.22	29,711,957.33	29,761,088.52	30,109,265.72	31,261,292.30	31,325,320.69
Current	59,801.99	22,341.91	22,167.37	21,042.12	17,520.86	17,189.96	1,935.87	346.35	-2,584.09	-478.16	-352.84	16,095.45
30 days	84,425.33	80,873.90	77,203.96	77,189.58	76,897.97	74,765.44	74,069.83	74,650.85	73,319.36	72,010.20	71,120.05	61,200.22
60 days	74,806.25	74,455.27	80,120.43	76,982.85	76,419.31	75,807.18	74,145.02	72,879.10	72,604.72	71,062.46	71,062.46	60,404.87
90 +	4,278,032.32	4,276,447.31	4,348,366.21	4,422,787.05	4,478,750.11	4,544,412.00	4,698,747.36	4,673,730.78	4,736,416.98	4,802,161.49	4,862,244.32	4,164,326.97
Interest	1,610,014.21	1,637,424.47	1,664,334.93	1,693,559.61	1,718,929.66	1,741,593.38	1,767,280.36	1,795,793.11	1,824,858.97	1,854,379.04	1,883,650.44	1,714,866.30
Handed over	1,758,939.36	1,764,026.67	1,769,752.30	1,779,020.01	1,789,164.69	1,794,760.07	1,799,132.48	1,804,960.25	1,806,009.55	1,807,873.05	1,806,009.55	1,645,084.64
Total	7,746,883.50	7,801,569.23	7,962,145.20	8,059,093.54	8,137,932.92	8,227,952.65	8,305,310.92	8,401,960.25	8,485,902.47	8,602,550.34	8,700,734.38	7,963,978.45
Current	1,067,716.90	1,709,009.88	1,281,331.71	1,302,866.53	1,014,127.45	971,615.20	1,572,754.57	890,037.06	954,782.86	960,651.93	806,327.79	1,082,889.36
30 days	2,420,021.54	1,550,436.58	1,524,377.52	1,360,181.59	1,391,332.08	1,374,348.07	1,328,504.83	1,818,714.76	1,333,375.86	1,320,603.76	1,399,634.66	801,785.58
60 days	1,117,541.61	880,709.81	1,147,835.88	1,097,168.80	1,097,168.80	1,095,804.04	1,104,515.58	1,095,804.04	1,058,764.10	1,058,764.10	1,008,464.17	596,345.28
90 +	11,994,881.93	11,765,047.37	12,396,878.55	13,179,730.82	13,995,699.49	14,588,855.42	15,331,350.29	16,001,949.30	16,712,543.26	17,528,247.91	18,208,512.47	12,442,379.22
Interest	1,825,159.61	1,880,872.23	1,938,760.79	1,991,732.38	2,050,663.86	2,111,713.89	2,176,536.21	2,251,103.14	2,318,700.88	2,379,076.41	2,453,900.86	2,120,485.00
Handed over	2,572,734.65	2,480,684.83	2,465,646.54	2,474,673.06	2,467,198.78	2,471,753.26	2,474,436.82	2,471,460.65	2,478,736.11	2,583,585.77	2,588,959.06	2,309,058.33
Total	18,802,102.44	20,777,764.70	20,774,831.01	21,900,500.43	22,015,590.46	22,805,422.71	23,988,088.30	24,529,118.95	25,264,511.48	25,830,430.88	26,465,791.31	19,342,943.87
Current	69,975.69	469,694.21	482,574.99	470,364.96	663,391.69	672,142.60	571,041.51	544,551.04	473,981.27	473,891.01	502,859.64	510,586.06
30 days	751,709.27	533,915.85	357,447.48	356,206.96	366,677.79	330,329.05	457,273.40	469,156.66	380,514.72	347,252.76	331,070.88	313,261.39
60 days	308,304.01	263,280.77	462,711.14	312,526.83	314,676.18	305,835.30	364,127.83	409,901.90	325,040.83	333,242.94	275,940.98	228,685.27
90 +	5,569,280.55	5,532,012.76	5,739,218.48	6,159,412.20	6,370,121.71	6,546,525.92	6,673,715.24	6,839,788.95	7,011,225.86	7,087,865.37	7,226,166.04	5,775,518.85
Interest	856,863.88	877,902.11	902,290.45	935,181.69	969,343.08	985,229.00	1,009,106.40	1,029,247.92	1,058,760.54	1,087,156.08	1,118,153.51	969,549.93
Handed over	1,477,150.63	1,470,209.46	1,469,644.85	1,468,950.98	1,470,959.25	1,474,225.58	1,478,589.64	1,463,957.32	1,467,668.34	1,521,805.99	1,520,243.68	1,295,113.41
Total	8,893,332.63	8,187,805.16	8,415,887.89	9,132,654.82	10,154,069.70	10,514,147.43	10,533,854.02	10,736,604.79	10,716,191.56	10,850,714.15	10,934,254.73	9,292,714.91
Current	39,740.18	214,213.61	209,429.76	218,194.16	251,441.74	276,667.97	140,374.10	49,559.60	86,958.59	45,331.39	89,848.80	54,098.10
30 days	193,721.53	92,787.63	134,533.54	149,278.14	150,997.23	152,277.76	75,001.34	117,068.79	53,961.55	99,555.93	44,985.45	77,805.87
60 days	69,138.32	43,738.36	54,049.86	102,028.79	113,226.37	106,685.17	116,604.67	64,427.62	71,677.21	42,797.58	80,818.08	24,984.33
90 +	567,882.75	551,139.33	569,017.95	609,708.73	671,011.19	740,257.86	805,187.57	864,585.13	839,377.53	841,715.19	811,578.57	811,578.57
Interest	70,470.62	67,668.10	71,130.45	74,960.32	78,864.76	83,483.16	64,867.79	90,175.99	98,124.27	102,648.51	101,677.75	101,677.75
Handed over	124,576.72	125,074.71	125,074.71	125,967.60	126,626.69	127,079.62	127,531.11	127,531.11	128,182.60	128,733.36	128,733.36	123,903.27
Total	906,045.76	1,044,621.14	1,105,633.21	1,200,137.74	1,303,171.00	1,357,662.18	1,357,662.18	1,312,886.75	1,231,848.30	1,231,848.30	1,288,729.39	1,194,042.69
Current	775,261.03	731,064.94	748,793.37	748,793.37	950,448.19	897,373.96	753,030.63	673,841.32	647,741.89	656,986.67	668,454.21	654,095.80
30 days	559,584.33	480,193.23	418,613.18	450,657.64	447,269.40	551,258.53	447,269.40	551,258.53	438,640.77	435,662.54	427,778.95	378,560.52
60 days	304,718.66	304,718.66	436,054.00	374,377.00	344,183.88	340,074.28	333,302.17	379,334.43	397,736.30	341,295.41	326,617.25	276,812.25
90 +	6,161,090.47	6,161,090.47	6,356,849.03	6,030,842.09	6,848,441.99	6,998,986.09	7,125,013.04	7,255,479.32	7,462,324.65	7,681,593.03	7,833,028.76	6,524,374.72
Interest	1,061,328.85	1,102,899.52	1,127,899.52	1,158,841.43	1,196,543.45	1,225,755.61	1,258,331.27	1,289,021.06	1,323,181.08	1,359,011.58	1,400,587.99	1,258,658.92
Handed over	1,539,249.33	1,524,770.92	1,511,292.20	1,505,625.08	1,500,973.74	1,489,718.18	1,500,973.74	1,489,718.18	1,492,657.04	1,514,574.55	1,514,574.55	1,411,888.23
Total	20,179,840.47	20,467,867.89	20,467,867.89	20,467,867.89	21,799,800.26	21,549,034.46	21,417,920.25	21,638,714.84	21,762,281.71	21,762,281.71	22,170,941.71	20,434,988.44



ELECTRICITY	Current	3 271 709.27	3 107 105.37	3 599 091.63	2 924 415.28	2 718 441.68	3 151 505.68	2 935 982.19	3 906 786.84
	30 days	1 055 436.95	1 313 435.96	1 143 744.57	1 751 902.15	1 194 694.77	1 117 503.56	1 314 774.45	1 116 858.30
	60 days	489 926.73	491 608.66	512 876.01	543 319.76	651 700.12	699 287.69	522 457.78	467 500.72
	90 +	3 647 701.93	3 699 632.55	3 889 382.36	4 042 687.65	4 347 474.23	4 613 771.17	4 613 771.17	3 778 573.69
	Interest	338 605.17	354 615.35	368 615.35	390 095.38	401 675.87	418 642.58	440 527.68	418 595.29
HOUSING	Handed over	1 437 069.87	1 432 718.73	1 423 906.99	1 427 156.04	1 437 737.37	1 433 737.37	1 427 505.01	1 427 505.01
	Total	10 240 448.93	10 998 706.93	10 937 420.91	11 079 576.28	10 560 177.70	11 082 935.49	11 261 506.64	11 111 619.48
	Current	75 262.60	75 412.64	75 412.60	75 431.90	75 451.69	75 583.67	76 308.53	76 580.10
	30 days	3 771.96	3 761.88	3 761.88	3 645.38	3 652.89	3 673.69	3 673.69	3 673.69
	60 days	3 578.58	3 685.60	3 685.60	3 601.38	3 579.20	3 589.90	2 878.15	1 956.46
LEGAL FEES	90 +	138 305.75	141 340.50	144 708.26	144 708.26	150 046.88	151 415.10	151 272.01	141 865.27
	Interest	57 774.24	58 960.26	59 831.82	58 497.03	59 623.11	60 895.46	61 822.78	62 525.89
	Handed over	150 046.02	149 546.94	148 946.56	148 944.26	148 726.06	149 318.34	147 852.91	147 197.75
	Total	278 120.55	281 863.52	285 503.32	286 160.01	290 174.45	295 318.82	299 493.80	279 931.73
	Current	-472 964.97	-467 871.60	-485 415.67	-460 241.30	-468 697.33	-512 019.82	-510 334.59	-569 959.66
INNOVATION	30 days	9 978.52	16 313.46	1 560.53	15 578.02	12 496.37	22 590.85	3 621.61	21 865.20
	60 days	6 248.55	8 181.72	14 376.13	15 221.56	15 221.56	11 953.91	22 053.60	2 839.91
	90 +	1 460 132.50	1 453 943.87	1 450 960.07	1 458 818.09	1 450 510.57	1 448 032.82	1 446 044.15	1 469 055.88
	Interest	3 514.36	3 514.36	3 514.36	3 514.36	3 514.36	3 514.36	3 514.36	2 836.24
	Handed over	-433.19	-433.19	-433.19	-433.19	-433.19	-433.19	-433.19	-74.74
SUNDARY	Total	1 036 475.77	1 031 648.62	1 034 771.21	1 018 794.11	1 012 712.34	971 608.93	964 864.94	725 862.83
	Current	-26 326.25	-26 649.70	-26 496.57	-31 140.52	-34 453.90	-32 329.65	-32 329.65	-22 391.94
	30 days	44 109.77	44 109.77	43 964.77	43 269.77	42 824.77	42 740.77	42 502.57	31 836.60
	60 days	25 066.49	25 328.80	25 960.39	25 894.55	26 084.92	26 140.41	26 251.34	20 844.97
	90 +	13 095.31	13 095.31	13 158.86	13 189.64	13 018.92	13 048.20	13 077.48	7 884.48
SUNDARY	Interest	55 945.32	56 498.08	56 798.58	51 153.04	47 474.71	49 994.61	49 501.74	38 174.11
	Handed over	-1 107 437.68	-1 902 202.68	-1 980 859.48	-2 026 004.57	-2 027 257.05	-1 968 491.73	-1 858 812.04	-2 086 612.70
	Current	58 126.63	55 960.03	45 316.98	56 132.18	75 212.26	54 407.26	54 877.75	56 836.60
	30 days	40 860.38	37 862.32	45 733.05	38 033.80	45 527.54	67 200.87	49 311.17	46 148.28
	60 days	1 679 700.58	1 673 700.58	1 607 943.37	1 649 355.31	1 657 015.80	1 664 755.55	1 696 188.19	1 506 398.78
SUNDARY	90 +	449 963.03	458 877.90	472 571.08	489 346.21	496 438.22	505 359.33	513 190.97	477 868.49
	Interest	428 429.61	421 885.60	418 419.48	414 907.39	414 999.99	415 448.30	414 942.62	393 429.89
	Handed over	1 439 793.25	1 439 793.25	1 439 793.25	1 439 793.25	1 439 793.25	1 439 793.25	1 439 793.25	1 439 793.25
	Total	8 851.51	8 851.51	8 851.51	8 851.51	8 851.51	8 851.51	8 851.51	8 851.51
	Current	37 857.42	37 857.42	37 857.42	37 857.42	37 857.42	37 857.42	37 857.42	37 857.42
SUNDARY	30 days	150 353.00	150 353.00	150 353.00	150 353.00	150 353.00	150 353.00	150 353.00	150 353.00
	60 days	143 335.63	143 335.63	143 335.63	143 335.63	143 335.63	143 335.63	143 335.63	143 335.63
	90 +	2 162 997.85	2 162 997.85	2 162 997.85	2 162 997.85	2 162 997.85	2 162 997.85	2 162 997.85	2 162 997.85
	Interest	264 267.33	264 267.33	264 267.33	264 267.33	264 267.33	264 267.33	264 267.33	264 267.33
	Handed over	62 365.62	62 365.62	62 365.62	62 365.62	62 365.62	62 365.62	62 365.62	62 365.62
Grand Total	Total	2 718 242.34	2 815 799.42	2 815 799.42	2 815 799.42	2 815 799.42	2 815 799.42	2 815 799.42	2 815 799.42
	Current	87 244 420.14	91 980 365.34	92 901 431.13	95 216 975.16	97 546 625.78	100 327 405	102 762 635	104 965 719
	30 days	44 159.77	44 159.77	44 159.77	44 159.77	44 159.77	44 159.77	44 159.77	44 159.77
	60 days	24 140.38	24 140.38	24 140.38	24 140.38	24 140.38	24 140.38	24 140.38	24 140.38
	90 +	13 213.74	13 213.74	13 213.74	13 213.74	13 213.74	13 213.74	13 213.74	13 213.74



DEBTS WRITTEN OFF 2014/2015

2014/15		
Categories	Amount	%
RATES (MONTHLY)	748 101.22	5.40%
SERVICE CHARGE	1 051 024.60	7.59%
WATER	6 905 364.45	49.85%
SEWERAGE	1 803 688.78	13.02%
SANITATION	41 231.01	0.30%
REFUSE	1 676 287.83	12.10%
ELECTRICITY	788 098.21	5.69%
HOUSING	14 218.70	0.10%
LEGAL FEES	178 077.19	1.29%
INDIGENT CHARGE	15 119.22	0.11%
SUNDRIES	196 514.69	1.42%
ENVIRONMENTAL LEVY	434 673.42	3.14%
Total	13 852 399.32	100.00%

**Property Rates(Residential and Commercial)**

<b>Property Rates (All)</b>	<b>Number</b>	<b>Value (000)</b>
Number and value of properties rated	18 243	10 101 674
Number and value of properties not rated	1 266	162 102
Number and value of rates exemptions	NIL	NIL

**Rates Collectable for Current Year**

<b>Rates Collectable for Current Year</b>	<b>Number</b>	<b>Value (000)</b>
Total Billed (nett)	18 243	68 994
Total Collectible	18 243	68 994

**Indigent Policy**

<b>Rates Collectible for Current Year</b>	<b>Number</b>	<b>Value (000)</b>
Quantity (No. of households affected)	6 006	-
Quantum (Total value across municipality)	-	1 098

**Property Valuations**

<b>Property Valuation :</b>	<b>Details</b>	<b>Valued Number</b>	<b>YTD Value (000)</b>
Year of Last Valuation (Interim Valuation)	2008	18 243	10 101 674.43
Regularity of Valuations	4 years	-	

Note : General Valuation was done in 2008, todate 4 interim valuations had been done. The valuation roll "Value and number of valued properties" is inclusive of all subsequent valuations todate.

- The current valuation roll has been extended to 5 years.



Finance Directorate Strategic Objectives for 2014/2015 per the Integrated Development Plan and SD8IP

BASIC SERVICE DELIVERY				
Objective	Indicator	Annual Target	Comments	
Ensure that water is supplied as per DWA Standards	% increase of indigent households having access to free basic potable water	94%	This objective has been achieved and the monthly reports and indigent drives are evidence	
Ensure that water is supplied as per DWA Standards	% increase of indigent household with access to free basic sanitation services	100%	All approved applicants are granted free basic sanitation benefit on approval of the application.	
Ensure that water is supplied as per DWA Standards	% increase of indigent households with access to basic electricity service in direct proportion to housing projects coming on-line	100% of formal urban households to have access to electricity	This target has been achieved, all indigent within Ndlambe licenced distribution area are granted Free Basic electricity in our prepaid system	
Ensure that water is supplied as per DWA Standards	% increase of indigent households with access to free alternative energy	Register for the distribution of gel stoves and fuel to all indigent households to be expanded by 5% per quarter.	Exceeded the target set	
MUNICIPAL & INSTITUTIONAL DEVELOPMENT & TRANSFORMATION(KPA2)				
Ensure efficient and cost-effective management of the resources and the performance of the Municipality	Fiscal discipline maintained and monitored	12 571 Reports Quarterly Financial Report Mid-year Budget Adjustment Report AFS	This target was met and all reports submitted	
Ensure efficient and cost-effective management of the resources and the performance of the Municipality	Performance Information reports analysed and signed off	4 Quarterly Performance Reports S72 Mid-year Performance Report Annual Report	This target was met and all reports submitted	
Ensure efficient and cost-effective management of the resources and the performance of the Municipality	Quarterly reports on implementation of Financial Delegations of Authority analysed and signed off	4 Quarterly Financial Delegations Reports Annual Financial Delegations Report	This target has not been met. The finance signed delegations are in place from 1 July 2014 but the 4 quarterly reports have not been completed.	

Municipality	Adopted Budget process and time schedule approved according to applicable prescripts	Adopted Budget process and time schedule	This target was met and approved by Council in August 2014
LOCAL ECONOMIC DEVELOPMENT			
MUNICIPAL FINANCIAL VIABILITY & MANAGEMENT			
Ensure financial viability of the municipality	Improved revenue mechanisms to be implemented according to Municipal systems Act and the Municipal Finance Management Act.	100%	This target has been achieved for the financial year, Supplementary valuation roll was compiled and implemented, metering device audits had been done we are about to implement the results of Port Alfred water meter audits. Consumers are being migrated to prepaid electricity devices.
	Supplementary valuation rolls, as prescribed by the Municipal Property Rates Act No 6 of 2004, on all improvements to properties, subdivisions and consolidations done in the financial year.	100%	This target has been met and the supplementary valuation was implemented before year end
	Measures put in place to obtain a credit rating by independent rating agency	None	This target was not met as there was not sufficient funding available to undertake the credit rating
	% increase in revenue collection rate	78%	This target was achieved, as at 30 June 2015, a total 79.1% of the amount was collected.
	% expenditure spent on approved budget	80%	Did not achieve the results due to cash flows
	Compliance with budget preparation and budget related policies finalisation in accordance with the MFMA	100%	This target has been met and the tabled budget was considered by Council before end March 2015, budget was considered by Council before end May 2015 and budget was approved by Council before the start of the new financial year
	Number of in year budget performance reports as required by MFMA submitted on time	100%	This target has not been met as despite all reports been done and submitted not all were done on time.
	Compliant budget adjustment approved by council in terms of all legislated requirements by 28th February 2015	100%	This target was not met as although the main adjustment budget was approved by Council by end February 2015 other adjustment budgets were done after that period
	Positive cash flow management according to MFMA & its regulations maintained	100%	This target was not met as although we maintained a positive cash flow we had to hold back payments of certain creditors
	% improvement in the implementation of Indigent Policy	100%	This target has been met to a certain degree, improvement of Implementation is a continuous, consequently we have appointed service providers who will do use electronic indigent application



	Compliance with legislated SCM reporting requirement in line with SCM Policy and MFMA		100%		devices. This target has not been met as not all required reporting was done
Ensure that the Implementation of Supply Chain Management according to the SCM policy	Standard operating procedures operationalised in accordance with SCM policy and legislation.		100%		This target has not been met as the function remains decentralised and not all documentation goes through the unit
	Steps taken to mainstream the implementation of SCM according to the policy and good practise		100%		This target has not been met as the function remains decentralised
	Procurement Plans monitored in line with the SCM policy		100%		This target has not been met as supply chain has not had any response to the request to provide the plans
Ensure improved sound financial management	% reduction of irregular expenditure related to procurement documentation in line with legislation and SCM policy		100%		This target has not been met and is evident by the irregular expenditure register.
	Annual financial statements that are 100% compliant to GRAP standards as per gazette issued by National Treasury		100%		Yes in our opinion this target has been met and the statements are 100% GRAP compliant
	Measures in place to monitor and control fruitless and wasteful expenditure		1		This target has been met and the register is maintained by the creditors section
Maintain and manage all municipal assets	Increase in the number of finance employees that are competent (SETA certification) on minimum competency levels as regulated		4		This target has not been met. Two have completed and three are in the process of completing and one is still to commence
	% increased budget provision for asset repairs and maintenance		1%		Target was met
	Asset Management System with Fixed Asset Register in place as prescribed by GRAP and the MFMA		100%		This target has been met with the assistance of Price Waterhouse Coopers. See the BAUD Asset Register
	% reduction of Stock losses		5%		Target was met
GOOD GOVERNANCE & PUBLIC PARTICIPATION					
Promote good corporate governance	A Framework for Financial Delegations of Authority in place as prescribed by the MFMA	Finance delegations registers signed as accepted and approved			This target was met and all signed delegations in place

**Finance Directorate Budget 2014/2015**

Category	Budget- Final Adjusted	Actual	Variance	% Variance
<b>Assessment Rates</b>				
<b>Administration</b>				
Salaries	10 068 179	10 097 120	(28 941)	(.29%)
General Expenditure	5 096 794	2 985 825	2 110 969	58.58%
Repairs and Maintenance	90 300	39 873	50 427	55.75%
<b>Supply Chain</b>				
Salaries	948 380	1 060 869	(112 489)	(11.86%)
General Expenditure	321 484	176 981	144 503	45.05%
Repairs and Maintenance	5 500	1 851	3 649	66.34%
<b>Stores</b>				
Salaries	336 358	305 987	30 371	9.02%
General Expenditure	101 625	64 662	36 963	36.37%
Repairs and Maintenance	52 500	42 014	10 486	19.97%
<b>Valuations</b>				
General Expenditure	506 871	251 018	255 853	50.47%



<b>BACK TO BASICS – FINANCE DIRECTORATE</b>			
<b>Service Delivery</b>		<b>Achieved</b>	<b>Comments</b>
How many households had their water disconnected for non-payment during the financial year?		Nil	Due to health reasons and blockages water was not disconnected.
How many households received free basic electricity in the year?		6339	The figure includes households in Eskom and Municipal licenced distribution area
How many households received free basic water in the year?		8108	This represents the average due to indigent beneficiaries fluctuated as a result of it being a continuous process
Does your municipality have an indigent register?		Yes	Indigent register is fully operationalised
<b>Sound Financial Management</b>			
What was the % spent on FMG/MSIG in the financial year?		100%	All grant funding in respect of MSIG and FMG spent. There were shortfalls on the projects funded through the grant, such as assets, that had to be funded from internal sources
How many tenders relating to finance that were over R200,000 were awarded in the financial year?		2	Both for FBAE
For these tenders approved during the financial year, what was the average length of time in calendar days from FIRST advertisement to the date of letter of award to successful bidder?		17 days	
How many section 36 awards were made in respect of finance in the financial year?		1	
What was the total value of the above section 36 awards made in the financial year?		N/A	The commission is paid at 12% excl. VAT on performance

## Finance Directorate - Staff Component – 2014/2015

The staff component does not fall into an ideal structure and this needs to be addressed when the budget and cash flow allows. It is also critical that the budgeted posts in finance must be filled at all time or debt collection and segregation of duty becomes a problem and in turn increases the risk factor.

### MFMA Competencies – Finance Directorate

In terms of Section 83 (1) of the MFMA, the accounting officer, senior managers, the chief financial officer, non-financial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the Municipal Finance Management Act. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the above-mentioned officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role players in the local government sphere, developed an outcomes-based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, "(1) No municipality or municipal entity may, with effect 1 January 2013, employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations."

Employees and interns were identified in the finance directorate to obtain the abovementioned qualification and prescribed competencies.

It is clear that all of the finance directorate staff apart from the Assistant Director: Expenditure will comply with the requirements of the Government Notice 493 of June 2007.

Details	2013/2014	Adjustment Budget R'000	Actual R'000	Variance to budget
	Actual R'000			
Employees	9 864 562	10 068 179	10 097 120	(.29%)
General	2 249 924	5 096 794	2 985 825	58.58%
Repairs and Maintenance	23 904	90 300	39 873	55.75%

Financial Performance 2014/2015: Financial Service - Stores					
Details	2013/2014	2014/2015			
	Actual R'000.		Adjustment Budget 'R000	Actual R'000	Variance to budget
Employees	282 942		336 358	305 987	9.02%
General	385 271		101 625	64 662	36.37%
Repairs and Maintenance	23 242		52 500	42 014	19.97%

Employees: Supply Chain Management Unit					
Job Level	2013/2014	2014/2015			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
Ungraded Posts	5	5	5	3	60%



Financial Performance 2014/2015: Supply Chain Management Unit (R'000)					
Details	2013/2014	2014/2015			
	Actual		Adjustment Budget	Actual	Variance to budget
Employees	844 065		948 380	1 060 869	(11.86%)
General	92 316		321 484	176 981	45.05%
Repairs and Maintenance	1 037		5 500	1 851	66.34%

#### BANK RECONCILIATION JUNE 2015

##### OPERATING ACCOUNT

	R
Operating account receipts were issued to the amount of	31 925 898.37
Operating account expenditure were issued to the amount of	35 296 177.12
Cashbook Balance on 01 JUNE 2015	-12 627 788.00
L/J 254 (30/06/2015)	-5 400.00
Plus Income JUNE 2015	31 925 898.37

	<b>Sub Total</b>	<b>19 292 710.37</b>
Less	Expenditure JUNE 2015	35 296 177.12

<b>Total</b>	<b>-16 003 466.75</b>
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Bank Balance on 30 JUNE 2015	7 596 860.26
Less Outstanding Payments	24 367 427.49
<b>Sub Total</b>	<b>-16 770 567.23</b>

Plus Outstanding Deposits - Reconciled	
Plus <b>Outstanding Deposits</b>	<b>767 100.48</b>
<b>Total</b>	<b>-16 003 466.75</b>

##### REVOLVING FUND ACCOUNT (CAPITAL)

Capital account receipts were issued to the amount of	96.41
Capital account expenditure were issued to the amount of	71.15
Cashbook Balance on 01 JUNE 2015	226 835.67
Plus Income JUNE 2015	96.41
Direct Deposits	0.00
<b>Sub Total</b>	<b>226 932.08</b>



Less	Expenditure JUNE 2015	<u>71.15</u>
	<b>Total</b>	<u><b>226 860.93</b></u>
Bank Balance on 30 JUNE 2015		226 860.93
Less	Outstanding Payments	<u></u>
	<b>Sub Total</b>	<u><b>226 860.93</b></u>
Plus	Outstanding Deposit	<u></u>
	<b>Total</b>	<u><b>226 860.93</b></u>
Total Investments as at 30 JUNE 2015		<b>R23 737 769.06</b>

**GRANTS**

Grant performance (R'000)						
Description	2013/2014	2014/2015			2014/2015	
	Actual	Budget	Adjustment budget	Actual	Original Budget (%)	Adjustment budget (%)
<u>Operating Transfers and Grants</u>						
<b>National Government</b>						
Equitable share	56 552 421	61 447 000	61 447 000	57 263 000	100	0
Municipal Systems Improvement	890 000	934 000	934 000	934 000	100	
Department of Water Affairs (ACIP)	1 745 902	85 500	7 778 644	7 778 646	100	
Electricity (DME)	4 461 494	0	1 000 000	1 038 000	100	
Finance Management	1 908 294	1 800 000	1 800 000	1 800 000	100	
EPWP	982 390	1 000 000	1 000 000	998 792	100	
Cllrs Allowance Contr.	2 557 251	3 447 000	3 447 000	3 477 000	100	
Municipal Infrastructure	25 497 578	25 799 000	30 799 000	25 175 688	100	
<b>Provincial Government</b>						
Health subsidy	1 321 066	1 350 000	1 350 000	1 424 000	100	
Housing	0	0	0	0	0	
Ambulance subsidy	0	0	0	0	0	
Sports and Recreation	0	0	0	0	0	
Other transfers / grants (Disaster)	0	0	0	0	0	
<b>District Municipality:</b>						
Health	0	0	0	0	0	
Fire Officers	541 350	375 000	624 227	604 887	100	
LED	1 094 637		2 676 132	1 011 500		
Other grant providers:						
(IDP)	0	0	0	0	0	
EC Sport: Library	1 014 939	2 737 000	2 737 000	1 249 700	100	

**CONDITIONAL GRANTS RECEIVED BY THE FINANCE DIRECTORATE:**

Conditional Grants: R'000					
Details	Budget	Adjustments Budget	Actual	Variance	
				Budget	Adjustments Budget
Finance Management Grant	1 800 000	1 800 000	1 800 000	1 800 000	1 800 000
Municipal Systems Improvement Grant	934 000	934 000	934 000	934 000	934 000
<b>Total</b>	<b>2 734 000</b>	<b>2 734 000</b>	<b>2 734 000</b>	<b>2 734 000</b>	<b>2 734 000</b>



Grants Received from Sources Other than Division of Revenue Act (DORA)						
Details of Donor	Actual Grant 2013/2014	Actual Grant 2014/2015	2014/2015 municipal contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the Grant received, including description of any contributions in kind
Parastatals						
No grants received by Ndlambe Municipality from any Parastatals						
Foreign Governments / Development Aid Agencies						
No grants received by Ndlambe Municipality from any foreign government departments or Development Aid Agencies						
Private Sector / Organisations						
No grants received by Ndlambe Municipality from any Private Sector Organisations						

#### BORROWING AND INVESTMENTS

Actual Borrowings: 2012/2013 to 2014/2015			
Instrument	2012/2013	2013/2014	2014/2015
<b>Municipality</b>			
Long – Term loans (annuity/reducing balance)	0	0	0
Long – Term Loans (non – annuity)	0	0	0
Local registered stock	0	0	0
Instalment Credit	0	0	0
Financial Leases	0	0	0
PPP liabilities	0	0	0
Finance Granted by Cap Equipment Supplier	0	0	0
Marketable bonds	0	0	0
Non – marketable bonds	0	0	0
Bankers Acceptances	0	0	0
Financial derivatives	0	0	0
Other securities	0	0	0
<b>Municipality Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Ndlambe Municipality did not borrow any funds over the last three financial years and to-date only has the DBSA loans outstanding.

# CUSTOMER SURVEY 2014/2015

Number of Responses / Total Number of Responses

CUSTOMER SURVEY 2014/2015							
Question	1 = Not Satisfied at All	2 = Dissatisfied	3 = Average	4 = Satisfied	5 = Very Satisfied	Yes	No
Your overall satisfaction with the municipality	52/185	40/185	66/185	22/185	7/185		
Your overall satisfaction with municipal service delivery	52/182	48/182	50/182	25/182	9/182		
Your overall satisfaction with Municipal Manager and Staff	48/155	32/155	38/155	26/155	13/155		
Your overall satisfaction with the Mayor and Councillors	60/141	32/141	39/141	5/141	6/141		
Your overall satisfaction with Refuse Collection	16/189	18/189	51/189	64/189	38/189		
Your overall satisfaction with Road Maintenance	142/195	30/195	14/195	5/195	4/195		
Your overall satisfaction with Electricity Supply	33/150	13/150	49/150	35/150	20/150		
Your overall satisfaction with Water Supply	38/192	33/192	50/192	50/192	21/192		
Your overall satisfaction with information made available to the public	55/175	39/175	45/175	21/175	15/175		
Your overall satisfaction with opportunities to interact with management	60/144	27/144	39/144	13/144	8/144		
Are the accounts you receive acceptable both in content and presentation						162/183	21/183
Do you receive your account monthly and on time						161/184	23/184
Would you suggest any changes to the content of your account						28/174	146/174
Are the finance staff friendly and helpful						134/161	27/161
Are you satisfied with the way your queries are dealt with						104/149	45/149
Is the appearance and dress code of staff acceptable						127/136	9/136
Do you have to stand in long queues at the finance office						25/127	102/127
Do you find the finance building welcoming						90/127	23/127
Are the noise levels in the finance building acceptable						96/116	20/116



## CHAPTER 2

### INTRODUCTION TO GOVERNANCE (KPA 5)

Ndlambe Municipality strive to govern by the democratic values and principles enshrined in the Constitution, including the following principles:

- A high standard of professional ethics must be promoted and maintained
- Efficient, economic and effective use of resources must be promoted
- Public Administration must be development – orientated
- Services must be provided impartially, fairly, equitably and without bias
- People's needs must be responded to, and the public must be encouraged to participate in policy – making
- Public administration must be accountable;
- Transparency must be fostered by providing the public with timely, accessible and accurate information;
- Good human-resource management and career-development practices, to maximise human potential, must be cultivated;
- Public Administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness and the need to redress the imbalances of the past to achieve broad representation.

### COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

#### 2.1 Political Governance

##### 2.1.1 Council




The Council has 20 seats (10 Proportional Representative (PR) Councillors and 10 Ward Councillors). The Speaker is the Chairperson of Council. The party-political and demographic representation of Councillors is reflected in the table below:

Political Party	Number of Councillors	Gender of Distribution	
		Male	Female
African National Congress (ANC)	13	8	5
Democratic Alliance (DA)	6	2	4
Independent	1	1	0
<b>TOTAL</b>	<b>20</b>	<b>11</b>	<b>9</b>

Below is the list of Councillors and their contact details:

 <p>Cllr SR Tandani</p>	<p><b>Position:</b> Mayor <b>Contact Details:</b> Cell No: 082 451 1653 E-mail: mayor@ndlambe.gov.za</p>	 <p>Cllr NV Maphaphu</p>	<p><b>Position:</b> Speaker <b>Contact Details:</b> Cell No: 073 659 1981 E-mail: speaker@ndlambe.gov.za</p>
 <p>Cllr NC Ncamiso</p>	<p><b>Position:</b> Proportional Representative <b>Contact Details:</b> Cell No: 082 451 2484 071 153 1027 071 380 8053 E-mail: kncamiso@gmail.com : kncamiso@ndlambe.gov.za</p>	 <p>Cllr G Cannon</p>	<p><b>Position:</b> Proportional Representative <b>Contact Details:</b> Cell No: 082 723 8075 E-mail: gcannon@ndlambe.gov.za</p>
 <p>Cllr NT Donile</p>	<p><b>Position:</b> Proportional Representative <b>Contact Details:</b> Cell No: 079 137 1374 E-mail: ndonile@ndlambe.gov.za</p>	 <p>Cllr P Faxi</p>	<p><b>Position:</b> Proportional Representative <b>Contact Details:</b> CellNo: 083 206 5931 E-MAIL: pfaxi@gmail.co.za / pfaxi@ndlambe.gov.za</p>
 <p>Cllr SB Funde</p>	<p><b>Position:</b> Portfolio Councillor Infrastructural Dev <b>Contact Details:</b> Cell No: 083 748 8080 E-mail: sbfunde@ndlambe.gov.za</p>	 <p>Cllr J Guest</p>	<p><b>Position:</b> Proportional Representative District Representative <b>Contact Details:</b> Cell No: 078 539 1910 E-mail: jguest@ndlambe.gov.za</p>
 <p>Cllr E Khoatani</p>	<p><b>Position:</b> Ward 3 Councillor <b>Contact Details:</b> Cell No: 082 403 1000 E-mail: ekhoathani@ndlambe.gov.za</p>	 <p>Cllr M Mateti</p>	<p><b>Position:</b> Ward 1 Councillor Portfolio Councillor Community Protection Services <b>Contact Details:</b> Cell No: 071 392 6281 E-mail: mmateti@ndlambe.gov.za</p>



 <p><b>Cllr C Metelerkamp</b></p>	<p><b>Position:</b> Ward 2 Councillor ANC Chief Whip <b>Contact Details:</b> CellNo: 076 505 4436 E-mail: cmetelerkamp@ndlambe.gov.za</p>	 <p><b>Cllr T Mazana</b></p>	<p><b>Position:</b> Ward 8 Councillor <b>Contact Details:</b> CellNo: 078 082 3445 E-mail: tmazana@ndlambe.gov.za</p>
 <p><b>Cllr M Msimang</b></p>	<p><b>Position:</b> Ward 5 Councillor <b>Contact Details:</b> Cell No: 073 3384 1609 E-mail: mmsimang@ndlambe.gov.za</p>	 <p><b>Cllr Z Ngxingo</b></p>	<p><b>Position:</b> Ward 4 Councillor <b>Contact Details:</b> Cell No: 072 5655 924 079 9720 405 E-mail: zngxingo@ndlambe.gov.za</p>
 <p><b>Cllr J Cowley</b></p>	<p><b>Position:</b> Proportional Representative <b>Contact Details:</b> CellNo: 072 903 5038 E-Mail: jcowley@ndlambe.gov.za / fishwifec@gmail.com</p>	 <p><b>Cllr R Schenk</b></p>	<p><b>Position:</b> Ward 10 Councillor Portfolio Councillor Finance / Corporate Services DA Caucus Leader <b>Contact Details:</b> Cell No: 083 558 3195 E-mail: rschenk@ndlambe.gov.za</p>
 <p><b>Cllr M Tarentaal</b></p>	<p><b>Position:</b> Ward6 Councillor <b>Contact Details:</b> Cell No: 079 028 9236 084 400 9701 E-mail: mtarentaal@ndlambe.gov.za</p>	 <p><b>Cllr S Venene</b></p>	<p><b>Position:</b> Ward9 Councillor <b>Contact Details:</b> Cell No: 079 135 2483 E-mail: svenene@ndlambe.gov.za</p>
 <p><b>Cllr N Xhasa</b></p>	<p><b>Position:</b> Ward7 Councillor <b>Contact Details:</b> CellNo: 083 314 6444 E-mail: nxhasa@ndlambe.gov.za</p>	 <p><b>Cllr K Daweti</b></p>	<p><b>Position:</b> Proportional Representative <b>Contact Details:</b> CellNo: 078 325 2938 E-mail: kdaweti@ndlambe.gov.za</p>

### **2.1.2 Municipal Public Accounts Committee (MPAC)**

The Municipality has a functional Public Accounts Committee in place, which fulfils an oversight role in respect of the institution's Executive and administration. The MPAC consists of members from two political parties represented in Council i.e. ANC and DA.

The Committee is made up as follows:

- African National Congress – 3 members
- Democratic Alliance – 2 members

### **Other key Council governance structures**

*Audit Committee:* The Municipality has a functional Audit Committee. The Audit Committee is made up of three members and meets at least quarterly to advise Council on internal control, the adequacy, reliability and accuracy of financial reporting and information, performance management, effective governance and compliance with the relevant statutes. The Municipality has an approved Audit Committee Charter, which provides the responsibility and authority to the Audit Committee members to audit the risk management, controls and governance processes, which include the IDP framework, internal controls, financial management controls, procurement and performance management. The Audit Committee Charter outlines the objectives of the Audit Committee; broad powers of the Audit Committee; authority of the Audit Committee; duties and responsibilities of the Audit Committee; structure and composition of the Audit Committee; remuneration; term of members and requisite skills; and the functioning of the Audit Committee.

### **2.1.3 Administration**

Municipal Manager is the head of the administration and Accounting Officer supported by four Directors. Political leadership and the administration complement each other to achieve the objectives of the IDP.

## **2.2 PUBLIC ACCOUNTABILITY AND PARTICIPATION**

A Public participation strategy was formulated and adopted by Council in 2009. Policy to give effect to the Public Participation and accountability seeks to:

- Provide guidance to the municipality as to when and how to involve the public in planning and decision-making processes in Ndlambe Municipality
- Identify activities and projects that require public participation
- In cases where public participation optional, the policy will encourage the municipality to create public participation opportunities wherever appropriate.

Also, a Public Participation Manager has been appointed to give effect to public participation.

## **2.3 INTERGOVERNMENTAL RELATIONS**

In line with Intergovernmental Relations Framework Act, the Ndlambe municipality, for the financial year under review, the municipality participated in a number of Munimecs, District Representatives Forums and the Integrated Development Plan (IDP) representative forums which consist of sector departments. Furthermore, Communications Forum under the auspices of the Communications Office was established.

## **2.4 PUBLIC MEETINGS**

### **COMMUNICATION, PARTICIPATION AND FORUMS**

The Municipal Systems Act and Municipal Finance Management Act typically refer to providing stakeholders to participate in dialogues, to receive the required information and are provided with an opportunity for commenting. Furthermore, it is proposed that the municipality should consider policy that dictates compulsory public participation in, amongst others, the following processes:



- Major Policy Decisions;
- Project Planning;
- Strategic Programs and municipal strategies.

The municipality also uses a range of public participation methods which, amongst others, in no order of preference include the following:

- Meetings, workshops, forums;
- Different forms of group interaction;
- Focus Use of existing networks, organizations and/or institutions;
- Dissemination of information including the development and production of material and/or visuals;
- Fielding of information at public points e.g. libraries, schools etc.
- Audio visual materials;
- Interviews/recording and documentation using accessible language;
- Identification and consultation with diverse Interest groups and stakeholders;
- Tools to utilize may include an inventory of stakeholders/an assessment of the community landscape/targeted approach for hard-to-reach stakeholders (non-traditional audiences);
- Advocacy methods or groups;
- Use of Community Development Workers (CDW's);
- For raising public awareness and public education;
- For agenda setting and policy development processes;
- Performing operational functions;
- Capacity building of local community;
- Mediation between government and community;
- Seminars or awareness talks on a matter/s of public interest.

Mayoral imbizo's were conducted during the year under review throughout the wards to interact with communities at large to enhance public participation.

#### **Ward Committees**

All 10 ward committees were established and are fully functional. The table below reflect ward committee meetings held during the year under review. Schedule of Ward Committee meetings in attached herein as **Appendix E**.

## **2.5 IDP PARTICIPATION AND ALIGNMENT**

Ndlambe Municipality established systems for the formulation of its five year IDP (2012-2017) in order to reinforce alignment with government departments and ensure public participation.

#### ***Ndlambe Municipal Council***

Ndlambe Municipal Council should adopt the draft Integrated Development Plan which is to be used as a basis for consultation. After completion of the consultation process, the final IDP was adopted together with the Budget on 31 May 2014.

#### ***IDP Steering Committee***

This Committee consists of the Mayor and the Executive Committee, the Municipal Manager and the Head of Departments.

The following are inter alia; the functions of the IDP Steering Committee:

- Engage in strategic discussions regarding the plans for the respective functional areas;

- Evaluate progress made in the implementation of the process plan and initiate corrective action where necessary;
- Evaluate the impact of the Integrated Development Plans;
- Review and refine the vision for Ndlambe Municipality. Ensure that the vision is incorporated into the IDP;
- Refine and review IDP objectives, strategies and projects for consideration by Ndlambe IDP Representative Forum and the incorporation thereof into the IDP.

#### ***IDP and Budget Representative Forum***

The IDP and Budget Representative Forum is the structure established for the purpose of review and implementation of the IDP and ensures maximum participation of different interest groups and sectors. The Forum provides for communication to ensure that the community at 'grass roots' gets an opportunity to determine its destiny.

The IDP Representative Forum shall, inter alia:

- Ensure that every activity and decision taken in its meetings are properly communicated to the forum members' respective constituencies;
- Monitor the implementation of the IDP;
- Reflect and safeguard community inputs by acting as 'messengers' of the communities;
- Represent the interests of their communities;
- Provide an organisational mechanism for discussion, negotiation and decision-making between stakeholders, including the municipality;
- Participate in the process of setting and monitoring key performance indicators.

## **2.6 RISK MANAGEMENT**

A Risk Management Plan was developed in August 2010. A risk register was compiled and approved by the Audit Committee and subsequently the minutes of the Audit Committee are noted by Council annually. Embedding risk management within the municipal business processes was central to the annual risk management program. To drive this program, a risk forum made up of risk coordinators stationed at various directorates was established. Annual risk assessment workshops are held on each and every financial period with various risk coordination. The Audit Committee monitored implementation of the risk responses to the top risks at its meetings.

## **2.7 ANTI-CORRUPTION AND FRAUD**

### ***Fraud Prevention Plan***

Ndlambe Municipality subscribes to the principles of good corporate governance, which requires conducting business in an honest and transparent fashion. Consequently Ndlambe Municipality is committed in fighting fraudulent behaviour at all levels within the municipality.

The policy of Ndlambe Municipality is zero tolerance to fraud and corruption. In addition, all fraud and corruption are investigated and followed up by application of all remedies available within the full extent of the law and the implementation of appropriate prevention and detection controls. These prevention controls include the existing financial and other controls and checking mechanisms as prescribed in the systems, policies and procedures of Ndlambe Municipality.

It is the responsibility of all employees to immediately report all allegations or incidents of fraud and corruption to their immediate manager. Should an employee be concerned that the manager is involved; the report can be made to any other member of management, the Municipal Manager and / or the Chairperson of the Audit Committee.

All managers are responsible for the detection, prevention and investigation of fraud and corruption and must report all incidents and allegations of fraud and corruption to the Municipal Manager. The Municipal Manager will initiate an investigation into the matter.



Should any employee wish to report allegations of fraud and corruption anonymously, they are at liberty to contact any member of management, the Municipal Manager, the Chairperson of the Audit Committee, Mayor and/or the National Hotline on 0800 701 701.

## 2.8 SUPPLY CHAIN MANAGEMENT

Substantial progress made on proactively dealing with the reduction of irregular expenditure by inspecting the necessary SCM regulated documents, e.g. Tax clearances etc. The Supply Chain Management Unit officials do participate in the municipal procurement committees. The unit assist the procurement committees on SCM policy related matters, such as the 80/20 – 90/10 points allocation system.

The SCM policy is reviewed annually with other Budget related policies and amendments drafted and approved in keeping with the New Preferential Procurement Regulations. These regulations are meant to assist the Small Micro Medium Enterprise and projects to roll-out B-BBEE throughout the Municipality has commenced.

Even though most of the SCM Policy processes are decentralised, orders are issued by this unit. Where necessary documents required by the policy are checked before payments are authorised.

## 2.9 BY-LAWS

By-laws Introduced during Year 0				
Newly Developed	Revised	Public Participation conducted prior to adoption of by-laws (yes/no)	By-laws Gazetted* (yes/no)	Date of publication
Aerodrome By-Law	2011	Copies of by- laws were placed in all libraries and ward councillors were given copies to interact with communities	Yes	16 October 2006
Commonage By-Law	2011	Copies of by- laws were placed in all libraries and ward councillors were given copies to interact with communities	Yes	16 October 2006
Customer Care and Revenue Management By-Law	2011	Copies of by- laws were placed in all libraries and ward councillors were given copies to interact with communities	Yes	16 October 2006
Electricity Supply By-Law	2011	Copies of by- laws were placed in all libraries and ward councillors were given copies to interact with communities	Yes	16 October 2006
Fences and Fencing By-Law	2011	Copies of by- laws were placed in all libraries and ward councillors were given copies to interact with communities	Yes	16 October 2006
Funeral Parlour,	2011	Copies of by- laws were placed in	Yes	16 October 2006

Cemeteries and Crematoria By-Laws		all libraries and ward councillors were given copies to interact with communities		
Impoundment of Animals By-Law	2011	Copies of by- laws were placed in all libraries and ward councillors were given copies to interact with communities	Yes	16 October 2006
Outdoor Advertising and Signage	2011	Copies of by- laws were placed in all libraries and ward councillors were given copies to interact with communities	Yes	16 October 2006
Public Amenities By-Law	2011	Copies of by- laws were placed in all libraries and ward councillors were given copies to interact with communities	Yes	16 October 2006
Roads and Traffic By-Law	2011	Copies of by- laws were placed in all libraries and ward councillors were given copies to interact with communities	Yes	16 October 2006
Solid Waste Management By-Law	2011	Copies of by- laws were placed in all libraries and ward councillors were given copies to interact with communities	Yes	16 October 2006
Storm Water Management By-Law	2011	Copies of by- laws were placed in all libraries and ward councillors were given copies to interact with communities	Yes	16 October 2006
Water Supply and Sanitation Services By-Law	2011	Copies of by- laws were placed in all libraries and ward councillors were given copies to interact with communities	Yes	16 October 2006
Liquor Licence By-Law		Copies of by- laws were placed in all libraries and ward councillors were given copies to interact with communities		
Standing Rules of Order	2012	Copies of by- laws were placed in all libraries and ward councillors were given copies to interact with communities		



#### **2.10 WEBSITE**

The Municipality manages an active website called [www.ndlambe.gov.za](http://www.ndlambe.gov.za) which was designed in prior years. All legislated postings and statements, tenders, notices, budget hearings, reports, policies etc. are available on the website. The readers are encouraged to visit the website and give inputs to better the viewers.

## CHAPTER 3

### SERVICE DELIVERY PERFORMANCE

#### COMPONENT A: BASIC SERVICES

##### 3.1 WATER AND SANITATION

The Regulator for all Water and Sanitation Services is the Department of Water Affairs. Compliance monitoring and process control management oversight is done by this department.

Ndlambe Municipality is located within the Cacadu District Municipality and is home to some 80 000 people. The Ndlambe Municipality (NM) is the legislated Water Services Authority for the area.

Ndlambe Municipality was appointed to act as both the Water Services Authority and Water Services Provider and fulfills both of these functions. However, the institutional arrangements profile consists of the following bulk & retail functions listed below.

Currently all the WSP functions and duties are conducted by either Water Services Providers, Water Services Support Service Agent or the Municipality itself and are as follows :

- Water Services Authority: Ndlambe Municipality, with Community Protection Services doing all water quality control monitoring operations.
- Water Services Provider: Ndlambe Municipality, with Infrastructural Development doing all water provision, with the exception of the following operations :
  - Alexandria Water Supply: P&S Consulting Engineers appointed to provide bulk water within a Water Services Support agreement
  - Kenton/Bushmans Water Supply: Amatola Water Board appointed to provide bulk water within a Water Services Provider agreement
  - Cannon Rocks/Boknes Water Supply: Gigima Engineering appointed to operate, maintain and manage the Reverse Osmosis Plant

All other Water Supply Systems are managed and operated by Ndlambe Municipality's Infrastructural Development Directorate, as the Water Services Provider. These include the following Water Supply Systems :

- Port Alfred Water Supply System
- Kleinemonde Water Supply System
- Bathurst Water Supply System

Ndlambe Municipality operates and maintains all water supply systems within both Water Services Authority and Water Services Provider functions, with the exception of the Amatola Water Board (previously Albany Coast Water Board) supply footprint, where bulk water is supplied by the Amatola Water Board.

There are six (6) local water supply schemes which service the main settlements within the area. Port Alfred, Seafeld and Bathurst are all fed mainly from surface water schemes whilst Boesmansriviermond, Kenton on Sea, Alexandria, Boknestrand and Cannon Rocks are supplied from ground water schemes.

Boesmansriviermond and Kenton on Sea augment their groundwater supplies with desalinated water through the Reverse Osmosis plant situated at Boesmansriviermond. The towns of Cannon Rocks and Boknes receive Reverse Osmosis processed water from saline borehole sources.



Potable, treated water is piped to all formal urban communities within Ndlambe, and is available to the vast majority of households. However, some of the Bathurst and Trappes Valley communities still rely on rainwater and private boreholes. The latter are considered for municipal supply within the IDP.

Where informal settlements occur, such as on the Brakfontein Farm commonage on the periphery of Alexandria, tankers transport water to strategically placed tanks, which are accessible to those that need.

Ndlambe Municipality operates and maintains all sewerage systems within both Water Services Authority and Water Services Provider functions. Water-borne sewerage is available to the majority of households.

The Ndlambe Municipality Council has determined that water-borne sewerage be the minimum level of service to the consumer base. This decision, although well intended, places tremendous strain on the available water resources. Leaking toilets have been identified as a leading reason for water loss. Astute management practice is being instilled within the unit responsible for operation and maintenance of these systems.

There are five (5) waste water treatment works being fed from water-borne sewerage systems which service the following communities:

- 1 Wentzel Park, Alexandria and Kwanonqobela
- 2 Marselle and Harmony Park
- 3 Ekuphumleni
- 4 Port Alfred and Nemato
- 5 Nolukhanyo

The provision of sewerage services excluding reticulation infrastructure includes a large proportion of the households in Ndlambe. Water-borne sanitation services are not available to several communities, who rely on conservancy tanks and septic tank sewerage systems. Ndlambe provides the service for the removal of sewerage using a fleet of sanitation vacuum tankers. These vehicles and their operational staff are under continuous pressure to deliver services. Breakdowns, due to an aged fleet, create backlogs and a dissatisfied consumer base.

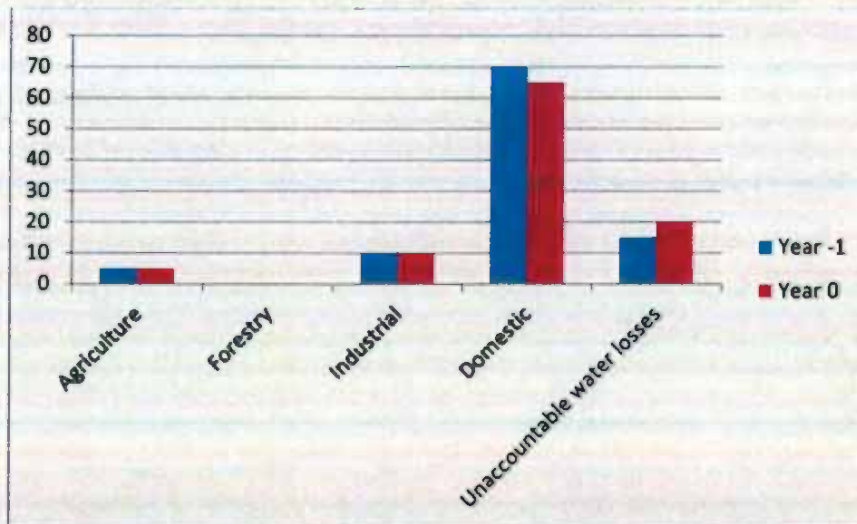
The following communities still rely either solely on septic tank / soakaway systems or conservancy tanks or to some lesser degree:

- 1 Cannon Rocks
- 2 Boknes
- 3 Boesmansriviermond
- 4 Riversbend
- 5 Kenton-On-Sea
- 6 Seafeld
- 7 Bathurst
- 8 Port Alfred and Nelson Mandela Township

These households are serviced by a fleet of sanitation tankers, several of which are well beyond their expected operating lifespan. Financial constraints dictate that Ndlambe must make do with this fleet.

All municipal toilet facilities, change rooms and other ablution facilities not connected to water-borne sewerage pipes are serviced by this fleet. Blockages are also attended to, often resulting from the inappropriate utilisation of the service. It is the objective of Council to achieve and sustain "Green Drop" status throughout all of Ndlambe. This is a compliance monitoring system which is managed and implemented by the Department of Water Affairs. This quality and service goal is being achieved by improving management performance, which should lead to acceptable discharge water quality.

Total Estimated Proportional Use of Municipal Supplied Water by Sector					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
Year -1	5	0	10	70	15
Year 0	5	0	10	65	20

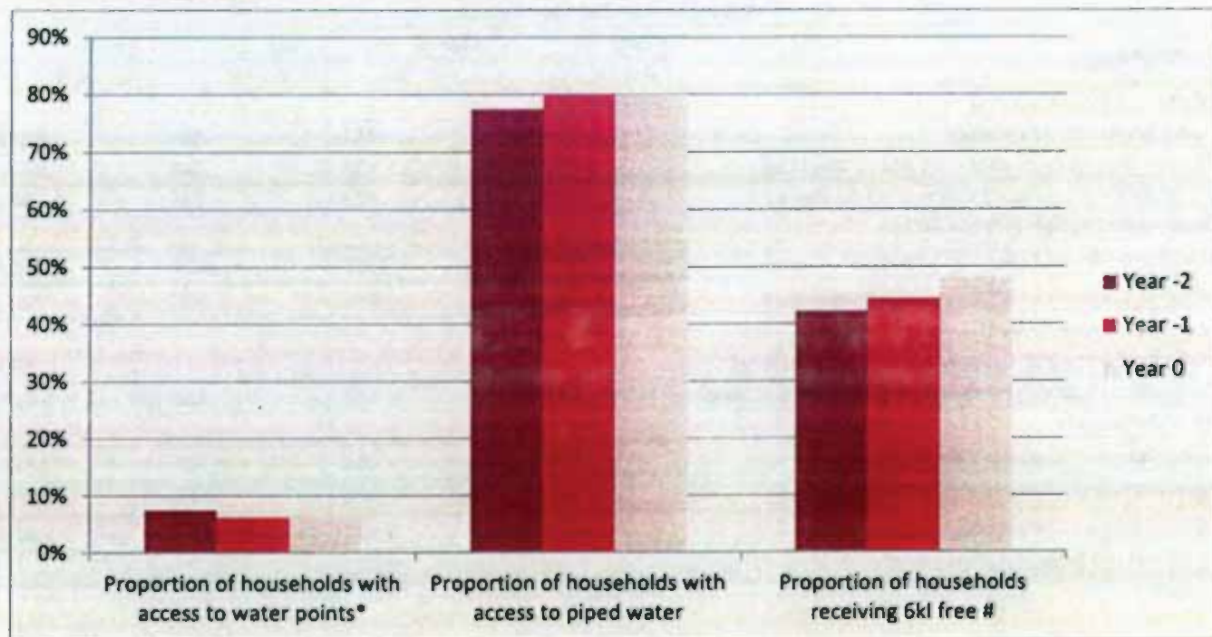




Water Service Delivery Levels				
Description	Year -3	Year -2	Year -1	Year 0
	Actual No.	Actual No.	Actual No.	Actual No.
Water: (above min level)				
Piped water inside dwelling	546	655	846	6977
Piped water outside yard (but not in dwelling)	865	456	486	9649
Using public tap (within 200m from dwelling)	486	465	546	1866
Other water supply (within 200m)				
Minimum Service Level and above sub – total	1898	1576	1879	18492
Minimum Service Level and above percentage	80%	80%	76%	90%
Water: (below min level)				
Using public tap (more than 200m from dwelling)				560
Other water supply (more than 200m from dwelling)	486	486	486	757
No water supply				
Below Minimum Service Level sub-total	486	486	486	1317
Below Minimum Service Level Percentage	20%	20%	24%	26%
Total number of households*	2,476	2,384	2,062	1.876
* _ To include informal settlements				

Indigent Households – Water Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total Households	7696	8448	8905			9618
Households below minimum service level	0	0	0			0
Proportion of households below minimum service level	0	0	0			0
Informal Settlements						
Estimated Total Households	1500	1000	1000			1000
Households below minimum service level	500	250	250			250
Proportion of households below minimum service level	33%	25%	25%			25%

Access to water





Water Service Policy Objectives Taken from the IDP									
Service objectives	Outline Service Targets	Year -1		Year 0		Year 1		Year 3	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
(i)	(ii)	*Previous year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	*Current year (viii)	*Current year (ix)	*Following year (x)	
Service Objectives : To achieve Blue Drop status in all formal supplies within a sustainable, affordable and effective manner									
Households without minimum water supply	Additional Households provided with minimum water supply during the year (Number of households (HHs) without supply at year end)	250 additional HHs (xxxxx HHs outstanding)	284 additional HHs (xxxxx HHs outstanding)	300 additional HHs (xxxxx HHs outstanding)	335 additional HHs (xxxxx HHs outstanding)	335 additional HHs (560 HHs outstanding)	0 additional HHs (0 HHs outstanding)	0 additional HHs (0 HHs outstanding)	
Improve reliability of water supply	Reduce the number of interruptions (Ints) in supply of one hour or more compared to the baseline of Year - 1 (xxx interruptions of one hour or more during the yr)	T0% (xxxx Ints) Note : There are 6 water supply systems. Interruptions per system are recorded	AO% (xxxx Ints)	T1% (xxxx Ints)	T1% (xxxx Ints)	A1% (xxxx Ints)	T2% (xxxx Ints)	T5% (xxxx Ints)	
Improve water conservation	Reduce unaccountable water levels compared to the baseline of Year - 1 (xxx kilolitres (KLs) unaccounted for during the yr)	T0% (xxxx KLs) Note : Bulk Water Meter Audit underway to establish unaccountable water	AO% (xxxx KLs)	T1% (xxxx KLs)	T1% (xxxx KLs)	A1% (xxxx KLs)	T2% (xxxx KLs)	T5% (xxxx KLs)	

Water Service Policy Objectives Taken from the IDP									
Service objectives	Outline Service Targets	Year -1		Year 0		Year 1		Year 3	
		Target	Actual	*Previous Year (iii)	*Current Year (vi)	Target	*Current year (viii)	*Current year (ix)	*Following year (x)
(i)	(ii)		(iv)	(v)		(vii)			
Service Objectives : To achieve Blue Drop status in all formal supplies within a sustainable, affordable and effective manner									
Augmentation of municipal Water Supply	Number of households provided with established rainwater tanks, guttering and downpipes				Number of households provided with established rainwater tanks, guttering and downpipes	No water tanks provided for the households. Bulk water provision is being upgraded to meet the demand. All areas without water reticulation (informal settlements) have been provided with standpipes within 200m. No households in formal settlements are without water.			
Continuous supply of sufficient potable water that meet national compliance standards throughout Ndlambe	Water supplied as per DWA standards and guidelines				Water supplied as per DWA standards and guidelines	96%			
Efficient utilisation of available resources	Reduction in accounted water and wasteful consumption within indigent households				Reduction in accounted water and wasteful consumption within	12%			



							Indigent households						
Increase investment in upgrading of existing infrastructure	Measured decrease in water supply shortfalls						Measured decrease in water supply shortfalls	10 days/annum					
Increase investment in maintenance of existing infrastructure	Assets maintained to extend longevity of system with maintenance and repairs expenditure						Assets maintained to extend longevity of system with maintenance and repairs expenditure	21 Pump stations were maintained and other assets as per the need.					
Sanitation Policy Objectives Taken from the IDP													
Service objectives	Outline Service Targets	Year -1				Year 0				Year 1		Year 3	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	*Current year (ix)	Target	*Following year (x)	
Service Indicators		*Previous year (iii)		Actual (iv)		*Previous Year (v)		*Current Year (vi)		*Current year (viii)		Target (x)	
(i)	(ii)	Service Objectives : Reticulated waterborne sewerage for all Ndlambe households to increase by 10% per annum											
Reticulated waterborne sewerage for all Ndlambe households to increase by 10% per annum	Decrease in households using septic tanks, pit latrines and conservancy tanks									900			
	Increase in investment in upgrading existing infrastructure by 10% per annum									Spent R 39 Million form Bucket eradication and MIG allocation			
Service Objectives: To achieve Green Drop status in all formal supplies within a sustainable, affordable and effective manner													
	Improvement in											No results yet	





Employees: Water Service					
	Year -1	Year 0			
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3	27	27	25	2	83%
4-6	21	21	21		
7-9	7	7	7		
10-12	4	4	4		
13-15	2	2	2		
16-18					
19-20					
Total	61	61	60	1	2%

#### COMMENT ON WATER AND SANITATION SERVICES PERFORMANCE OVERALL:

Performance of water services and the provision thereof has seen improvements on many fronts when one considers the IDP objectives and goals. Achieving targets are fund-related. Grants received are limited. Internal capital funds have not been available. The need exceeds the available funds, so the challenge has been to make as big a change as possible within the available resource base.

The Municipality is committed to improving water service provision in its region despite the recent water service challenges, which include the following challenges and remedial action:

- Insufficient supply quantity to meet the growing demand
  - Remedial actions include various Water Conservation projects. Water conservation and demand management practices are continually being assessed and improved, as funds become available.
- Aged infrastructure operating within extreme environmental conditions
  - Remedial actions include that the entire infrastructural "as-built" within this sector is being assessed within a master plan.
- Poor quality of low cost house plumbing leads to leaks and subsequent loss.
  - Remedial actions include loss control and the addressing of leaks in indigent households. This has been done on a wide scale throughout Ndlambe.
  - Future low-cost house design will focus on the quality of all water and sanitation fittings included in the house construction.
- Source quality, where the main phenomena affecting the quality of the water in the region is the materialization (or salination) of the water in the main catchments due to the geology (marine origin) of the area.
  - Remedial actions include the establishment and operation of Reverse Osmosis Technology, which, although expensive, is effective in addressing salinity issues and is now operational in Cannon Rocks, Boknes, Kenton-On-Sea and Boesmansriviermond.
- Massive peaks in demand, due to the transient nature of this consumer base.
  - Bulk storage reservoirs have been prioritised within the Water Services Plan. Funding channels have been provided and prioritised projects have begun implementation.

It is the intention of the municipality to achieve and sustain "Blue Drop Status" within water services provision. This is a compliance monitoring system managed and implemented by the Dept Water Affairs, as the regulator. Ndlambe Municipality has, as a result of the above, identified a need for the development of an Infrastructure Master Plan for water services (water and sanitation). Funding has been allocated to the NM by the Development Bank of South Africa (DBSA). The objective of the project is to develop a water service infrastructure master plan with associated as built drawings of the existing infrastructure.

### 3.2 ELECTRICITY

Electrical supply, at a basic Level of Service, is achieved and continues to improve. Housing projects do not get the go-ahead for implementation until such time as bulk services are installed, which includes electricity supply. Escalating cost of supply is a worrying factor, as affordability and sustainability of supply is under pressure. The

Ndlambe Municipal Electrical Network Audit Report was prepared and submitted, highlighting component requirements, backlogs and strategic planning for future supply provision parameters.

Ndlambe Municipality renders electrical services in the towns of Port Alfred and Alexandria. Eskom supplies electricity in bulk to both components. Port Alfred town has one 11-kilovolt-supply point and Alexandria has one 11-kilovolt-supply point. Eskom supplies electricity to the rural areas outside Ndlambe, also Boknes, Cannon Rocks, Bushmans River, Marselle, Bathurst, Nemato, Alexandria, Ekuphumleni, Station Hill and Kleinemonde.

Ndlambe Municipality buys electricity in bulk from Eskom and is responsible for the distribution thereof within its approved areas of supply, under license from the National Electricity Regulator. Electricity is taken from Eskom at two intake substations, i.e. Port Alfred and Alexandria, and redistributed to the end consumer through a series of cables, lines and substations.

The directorate is responsible, and employs a service provider, namely, Manelec Services (Pty) Ltd, for:

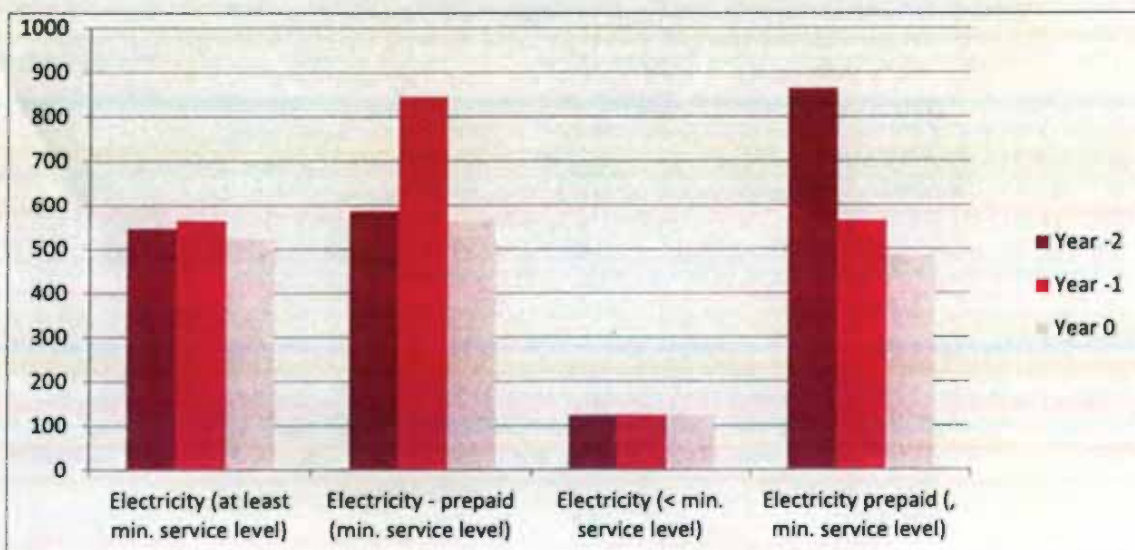
- The construction and maintenance of the distribution network as well as providing new infrastructure to ensure a reliable and affordable supply of electricity to all;
- The effective management of revenue by ensuring all electricity supplied is billed for and reducing losses in order to cover operating and capital expenses;
- The provision of a reliable and acceptable level of public lighting to improve the safety and living standards of residents, including street and public lighting for Boknes, Cannon Rocks, Bushmans River, Marselle, Bathurst, Nemato, Alexandria, Ekuphumleni, Station Hill and Kleinemonde.

The challenge experienced is a streetlight backlog in the areas that were formally under Eskom's management. The Municipality is dealing with this. Management of public lighting, including high mast lights, is normally shopped out to an annual tender service provider.

#### INTRODUCTION TO ELECTRICITY

The distribution and reticulation areas, excluding provision of electricity by Eskom, covers Port Alfred and Alexandria. Each consumer is considered a customer and has got access to electricity supply. The electrical supply to Port Alfred is of a high standard. The electrical supply to Alexandria, inclusive of Wentzel Park, needs upgrading. In Port Alfred there are still numerous medium voltage feeders which were laid many years ago. These have now become inadequate to carry the required increasing load. This requires upgrading. The problem is not purely an overload one, but it also prevents safe management practice.

Due to a lack of funds we have not been able to upgrade these cables, which are now practically redundant. Alexandria is also at the stage where all MV cabling needs upgrading. Although the expansion of the town is not excessive, this should be considered in the near future. Funding should be prioritized to cater for the increasing loads





Households – Electricity Service Delivery Levels below the minimum						
Description	Year -3	Year -2	Year -1	Year 0		
	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
<b>Formal Settlements</b>						
Total Households	N/A	N/A	N/A			N/A
Households below minimum service Level						
Proportion of households below minimum service level						
<b>Informal Settlements Only in Escom Supply Area</b>						
Total Households	To Be Established	To Be Established	To Be Established			To Be Established
Households ts below minimum service						
Proportion of households ts below minimum service level						





Electricity Service Policy Objectives Taken from the IDP											
Service objectives		Outline Service Targets		Year -1		Year 0		Year 1		Year 3	
Service Indicators				Target	Actual	Target	Actual	Target	Actual	Target	Actual
(i)		(ii)		*Previous year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)	*Following year (x)
Service Objectives : That the Ndlambe community has access to a reliable and consistent supply of electricity and street lights, as provided by Manelec and Escom											
To provide free basic alternative energy to all indigent households with no electricity by 30 June 2015		All registered indigents					All registered indigents	6900			

Employees: Electricity Service					
	Year -1	Year 0			
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3	2	2	2		
4-6					
7-9					
10-12	5	5	5	0	0
13-15	5	5	5	0	0
16-18					
19-20	1	1	1	0	0
Total	13	13	13	0	0

Financial Performance Year 0: Electricity Services (R'000)					
	Year -1	Year 0			
Details	Actual	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue	38 344 135	54 404 169	55 069 306	54 404 169	
Expenditure:	34 631 435	50 792 779		51 833 420	
Employees	378 570	471 720		118 028	
Repairs and Maintenance	3 334 130	1 672 520		729 349	
Other					
Total operational Expenditure	38 344 135	54 404 169		54 404 169	
Net Operational Expenditure					

Although there is an urgent need for capital expenditure there is presently no funds available to address this need.

#### COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL:

The Ndlambe Municipality submitted an application to Eskom for a 2.4MVA increase in bulk supply to Port Alfred. This application has been approved by Eskom. Payment for this has been made by Ndlambe. We are now awaiting the energizing by Eskom.

Power supply characteristics in the areas supplied by Eskom are not ideal. Surges and spikes in power supply have a negative impact on equipment and machinery. Even though measures are taken to reduce the impact of the above, there is still regular damage to pumps and motors. This is due to being at the end of the Eskom supply line.

### 3.3 HOUSING

#### INTRODUCTION TO HOUSING

The Ndlambe Municipality's strategy for the provision of subsidised housing is to eliminate housing backlogs and to provide appropriate housing for those who cannot provide for themselves.

Intensive projects have been implemented in the past, although in Year 0 no new projects were initiated. These are dependent on the provision of basic services prior to top-structure and for which basic service projects are currently underway.



There are areas where subsidised housing backlogs are growing, due to several factors. Migratory trends have seen an influx of indigent people into the area. Disaggregation of families into more than one housing unit has also resulted in expanding backlogs.

The top 3 service delivery priorities for Council have been water, sanitation and road priorities. The impact of these projects has been that essential upgrades and improvements have taken place during Year 0 which will enable stalled subsidised housing projects to be revisited. These projects were stalled due to the lack of sufficient bulk services.

The Ndlambe Municipality identifies and responds to those communities that are living in poverty by providing land and certain essential services to decrease the deficiencies in basic service delivery.

There is a housing section within the Infrastructural Development Directorate, which has satellite offices in Alexandria, Kenton-on-Sea and Boesmansriviermond. The level and extent of service provision is as support to the Dept Human Settlement and to assist the indigent with the application process for a subsidised house.

Expanded housing requires expanded bulk services. The cost of renewing and upgrading core infrastructure to maintain the demand for housing is a continual challenge. This balance affects net demand in the municipality as project lists need to be prioritised for implementation. Ndlambe Municipality is responding well to the challenges created, by ensuring adequate bulk services are available and that indigent registers are maintained.

Expenditure on housing is done by the Dept Human Settlement and is facilitated by Ndlambe Municipality.

Percentage of households with access to basic housing			
Year end	Total households (including in formal and informal settlements)	Households in formal settlements	Percentage of HHs in formal settlements
Year -3			
Year -2			
Year -1	21009	9009	43%
Year 0	21769	9009	41%

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Year -2			
Year -1	21009	9009	43%
Year 0	21769	9009	41%



Employees: Housing Service					
Job Level	Year -1	Posts No.	Year 0		
	Employees No.		Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3					
4-6					
7-9					
10-12	5	6	5	1	83%
13-15	1	1	1	0	0%
16-18	1	1	1	0	0%
19-20					
Total	7	8	7	1	15%

The funding for houses is directly from human settlement as stipulated in the constitution, Council only manages projects.

#### COMMENT ON THE PERFORMANCE OF THE HOUSING SERVICE OVERALL:

The trend towards disaggregation of families into more than one housing unit; and the cost of renewing and upgrading core infrastructure is a challenge, especially within the context of affordability.

Recent standards and norms in subsidised housing practice have tended towards Breaking New Ground Projects, such as has been implemented in Thornhill, Port Alfred.

This development could only go ahead once bulk services were installed and available. As a result, only 509 of 5000 houses were built in the first phase, awaiting bulk services for the balance of houses.

With the introduction of Amatola water the challenge of bulk will be temporary curbed as it was reported by Amatola water that 2900 housing units have been unlocked by the upgrades that took place in recent months. It was further reported that out of 2900 housing units that can be developed in Thorn hill only 600 units can be built at this stage due to bulk electricity shortage.

In Kenton on Sea the bulk is completed, we should have a contractor on site for internal reticulation very soon.

#### COMPONENT B: ROAD TRANSPORT

*This component includes: roads; transport; and waste water (stormwater drainage).*

##### INTRODUCTION TO ROAD TRANSPORT

Ndlambe Municipality manages road alignments which are within the urban footprints of the Spatial Development Plan. Management includes operations, maintenance, upgrades and refurbishment. All other alignments are managed by other sector departments, including Department of Roads and SANRAL. These include both surfaced and gravel roads.

There is the Ndlambe Roads Forum, which meets on a regular basis and is well represented by stakeholder groups within the district.

The major alignment and road artery which runs through Ndlambe from east to west is the R72, the management of which falls under SANRA. This road is a vital link between the two development nodes of Coega outside Port Elizabeth and the IDZ on the outskirts of East London. The route contributes to the economy of the municipality and provides access to the heart of the Sunshine Coast, being Port Alfred and surrounds, thereby bringing tourists and visitors on an ever-increasing scale.

It is a well-known and measured fact that the road network servicing Ndlambe Municipality is in a poor state. A general shortage of maintenance staff, necessary to maintain in excess of 280km of surfaced and gravel roads, is a continual challenge. The table below indicates the extent of the road network in the various towns within Ndlambe.

In 2004 Ndlambe received a grant from the DBSA and commissioned Consulting Engineers, Stewart Scott Inc. to prepare a Roads Management Programme. The report, received in 2005, indicates that an amount in excess of R 400 million was required to address essential road maintenance backlogs. An additional sum was also determined for capital investment in order to upgrade the existing road network and to establish new alignments.

It was established in this study that an amount of approximately R10 million per annum was required for road maintenance. With an annual total capital budget of just over R 3 million and a maintenance budget of R 2.8 million per annum the municipality is faced with a mammoth uphill task of maintaining the road network, with an escalating backlog.

### 3.4 ROADS

#### INTRODUCTION TO ROADS

There is little doubt that Ndlambe Municipality faces numerous challenges when it comes to road maintenance services. However, intensive upgrades have recently been achieved within the Port Alfred CBD and surrounding areas, using labour intensive construction to construct concrete and block paving alignments. These have been welcomed by the public.

The majority of the existing road network was inherited when the demarcation process was formalised in 2001. This network was established by the former Town Councils, who did not adhere to general construction practice and standard road designs

The condition of the road network in Ndlambe is generally poor. This is due to several factors, including the following :

- o Poor quality of available road building materials,
- o The former Town Councils did not adhere to general construction practice and standard road designs
- o inadequate or non-existent storm water control infrastructure,
- o lack or complete absence of adequate plant and equipment and
- o restricted financial resources.

Routine maintenance (day to day pothole repair, repair and unblocking of drains and blading of gravel roads) expenditure recommended by the 2004 Stewart Scott Inc. Road Management Programme for 2004/2005 was R 9.8 million. Escalating this by a conservative 7.5% per annum gives a figure of R16.3M for the current year in review (2011/12). The actual expenditure was R 9.65 million, a shortfall of almost 50%. The periodic maintenance (resealing of surfaced roads and regravelling of gravel roads) is recommended to have been in the order of R 5.5M for the current year in review and in the order of R30M to date since the recommended implementation of the road management programme. Due to budgetary constraints this scale of implementation has been impossible. The above figures would have been adequate just to maintain the status quo with regard to the condition of the road transportation network.

The capital expenditure recommended by the same Stewart Scott Inc. Road Management programme is R 24.7 Million for the year under review and to date it is recommended that R 96.4 million should have been invested in new and upgraded infrastructure by now. If we assume an average width of 6m for all roads then a replacement cost of R 2.5 million per km for surfaced roads and R 500 000 per km for gravel roads would not be unrealistic.

Based on these figures, our 172km of surfaced roads and 140km of gravel roads represent an asset on the ground with a replacement value in the order of R 500 million rand. Easily the single most valuable asset owned by the municipality. Given that the average design lifespan of a road is in the order of 10 – 25 years and given that this can be drawn out to 30 – 50 years with adequate and timeous remedial and maintenance actions, it is clear from the



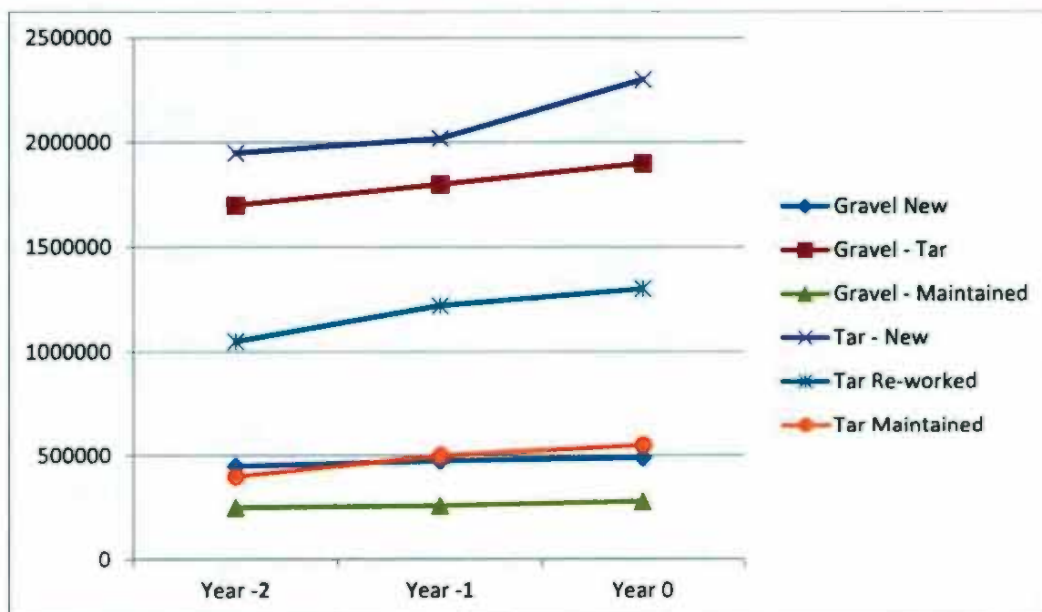
above that the single biggest challenge with regards to the road network is to secure adequate funding from internal or external sources. This will be to reverse the deterioration of the current network and to enable the municipality to embark on a realistic upgrading programme for the social and economic benefit of all residents and visitors.

Recent periods of relatively heavy and sustained rainfall has impacted negatively on all road surfaces, mainly due to the poor or complete lack of stormwater drainage infrastructure. There has been a rapid deterioration in riding surfaces, as a result.

The Council has recently embarked on a series of labour intensive road maintenance projects to address the most urgent priorities where surface failure has been the most compromising to traffic. These projects are on-going and include block paving and concrete slab surfaces.

Gravel Road Infrastructure (kilometres)				
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to tar	Gravel roads graded/maintained
Year -2				
Year -1	137,64	0	0	137,64
Year 0	138,14	0,5	1	138,14

Tarred Road Infrastructure					
	Total tarred roads	New tarred roads	Existing tar roads re-tarred	Existing tar roads re-sheeted	Tar roads maintained
Year -2					
Year -1	148,76	0	0	0	148,76
Year 0	149,76	15	1	0	149,76



Road Service Policy Objectives Taken from the IDP									
Service objectives	Outline Service Targets	Year -1		Year 0		Year 1		Year 3	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
Service Indicators		*Previous year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	*Current year (viii)	(vii)	*Current year (ix)	*Following year (x)
(i)	(ii)								
Service Objectives : Community of Ndlambe has safe and efficient access to good quality roads, built according to applicable standards									
Elimination of gravel roads in townships	1 Kilometer of gravel road tarred	1,5 km gravel roads tarred	0 km gravel road tarred	1,5 km gravel road tarred	1 km gravel road tarred		1 km gravel road tarred		
Upgrading of municipal roads as required	0 kms of municipal roads developed	0 kms	0 kms	0 kms	0,5 kms		0,5 kms		
Compilation of Storm Water Master Plans for all towns	Approved Storm Water Master Plans	0	0	2	2		End-July 2014		



Employees: Road Service					
Job Level	Year -1	Year 0			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts)
0-3	49	54	50	4	8%
4-6	15	15	15	0	
7-9	8	10	8	2	4%
10-12	7	7	7	0	
13-15	1	1	1	0	
16-18					
19-20					
Total	80	87	81	6	12%

#### COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

The priority of the four largest capital projects was determined by traffic volume and level of disrepair. Due to the unavailability of internal capital funds, grants were solicited through the Expanded Public Works Programme. This programme rewards effective service delivery and the intention is to expand this programme to each urban footprint, thereby creating a spread of job opportunities and skills enablement.

The year 5 targets set out in the IDP schedule cannot be attained within approved budget provision due to the scope of backlog and scale of need. To rectify the matter, grant funders need to be convinced that the pilot projects are best practice and are effective in the delivery of suitable road surfaces.

Should the above be deemed effective, the programme will be unbundled and enlarged to include all townships in Ndlambe, which would result in a huge variation to any total approved project value (arising from year 0 and/or previous year actuals, or expected future variations).

No provincial roads have been delegated to the Ndlambe Municipality.

### 3.5 WASTE WATER (STORMWATER DRAINAGE)

#### INTRODUCTION TO STORMWATER DRAINAGE

The floods which occurred in Oct of Year -1 highlighted the reality of how marginal and in places how completely absent storm water infrastructure is within the various urban footprints of Ndlambe Municipality. Township development practice did not always consider appropriate stormwater infrastructure, due to affordability and pressing need to house the homeless. This backlog is real and growing, due to the absence of funding required to address this situation. Existing infrastructure, especially underground reticulation, is mostly undersized or completely absent.

Stormwater Master Plans have been solicited and these will be prioritised and implemented as and when funding allows. These will be linked to dovetail with the planned road maintenance plan, as discussed previously.

Stormwater Infrastructure				
	Total Stormwater measures	New Stormwater measures	Stormwater measures upgrade	Stormwater measures maintained
Year -2				
Year -1	115,40	115,40	0	65,24
Year 0	125,56	125,56	10,16	75,17

Employees: Road Service					
	Year -1	Year 0			
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3	49	54	50	4	8%
4-6	15	15	15	0	
7-9	8	10	8	2	4%
10-12	7	7	7	0	
13-15	1	1	1	0	
16-18					
19-20					
Total	80	87	81	6	12%

#### COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

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	Total Stormwater measures	New Stormwater measures	Stormwater measures upgrade	Stormwater measures maintained
Year -2				
Year -1	115,40	115,40	0	65,24
Year 0	125,56	125,56	10,16	75,17



Stormwater Policy Objectives Taken from the IDP									
Service objectives		Outline Service Targets		Year -1		Year 0		Year 1	Year 3
Service Indicators	(i)	(ii)	Target	Actual	*Previous Year	Target	*Current Year	Target	Target
			*Previous year (iii)	(iv)	(v)	(vi)	(viii)	(ix)	*Following year (x)
Service Objectives : Community of Ndlambe has safe and efficient stormwater management, to minimise the risk of flooding and collateral damage.									
Development of fully integrated stormwater management systems including wetlands and natural water courses		Phasing in of systems	Strategy approval (Yes/No); Timescale x yrs	Strategy approval (Yes/No); Timescale x yrs	Strategy approval (Yes/No); Timescale x yrs	Strategy approval (Yes/No); Timescale x yrs	Strategy approval (Yes/No); Timescale x yrs	Strategy approval (Yes/No); Timescale x yrs	Completion (Yes/No); x yrs remaining

Employees: Stormwater Service					
	Year -1	Year 0			
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0-3	16	26	16	10	63%
4-6					
7-9					
10-12	1	1	1		
13-15					
16-18					
19-20					
Total	17	27	17	10	63%

Financial Performance Year 0: Stormwater Services (R'000)					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue	1 050 870	1 341 510		1 341 510	
Expenditure:	672 790	838 280		838 280	
Employees	60 000	63 000		63 000	
Repairs and Maintenance	318 080	440 230		440 230	
Other					
Total operational Expenditure	1 050 870	1 341 510		1 341 510	
Net Operational Expenditure					

#### COMMENT ON THE PERFORMANCE OF STORMWATER DRAINAGE OVERALL:

Stormwater drainage performance does not achieve expectations due to various factors, which can be considered as follows :

Historically, town plans were developed by the respective Local Town Councils. These towns concentrated on developing the business areas as residential properties were seen as being holiday accommodation

- Sub-surface stormwater infrastructure is costly to install and was rarely considered in the urban development of communities within Ndlambe Municipality
- Former subsidised housing projects did not prioritise the establishment and implementation of stormwater systems and it is now with hindsight that this oversight is so glaring.
- Consecutive development has exacerbated the lack of stormwater drainage insufficiencies.
- Stormwater Master Plans were previously not considered within the urban development criteria.

#### 3.6 FLEET MANAGEMENT

Municipal transport is provided strictly for official services only and is not to be used for private purposes. Council will provide transport to on-duty employees in accordance with its normal operational requirements, as well as in specific circumstances approved by the relevant director. The municipality has a shortage of fleet due to lack of internal capital budget. Furthermore, extended downtime of fleet when it is in the workshop is another hindrance to service delivery.



Fleet Management Policy Objectives Taken from the IDP									
Service objectives	Outline Service Targets	Year -1		Year 0		Year 1		Year 3	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
Service Indicators		*Previous year (iii)	(iv)	*Previous Year (v)	(vi)	*Current year (viii)	(ix)	*Current year (ix)	*Following year (x)
(i)	(ii)								
Service Objectives : Ensure an effective fleet management system, to include maintenance, refurbishment, procurement and disposal of fleet related resources owned, managed and maintained by the Ndlambe municipal workshop									
Ensure an effective fleet management system, to include maintenance, refurbishment, procurement and disposal of fleet related resources owned, managed and maintained by the Ndlambe municipal workshop							There is an effective fleet management in place. The policy has been updated and will go to council for adoption		

## COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development

### INTRODUCTION TO PLANNING AND DEVELOPMENT

#### 3.7 PLANNING

##### INTRODUCTION TO PLANNING

Planning strategy entails the undoing of the previously distorted settlement patterns that were cultivated by the past policy of separate development. The optimum utilisation of municipal infrastructure is encouraged by the densification of our cities. The ageing infrastructure has been a challenge in the densification and the high costs associated with the improvement of the infrastructure in the Consolidated Infrastructure Plan (CIP) and the densification of have their share in the challenges. The efficient and effective utilisation of available land is one of the plans. To that end Spatial Development Framework (SDF) was approved by the municipality on 8 March 2013. The SDF stands as a guide plan for all land use decisions. All unauthorised land uses are terminated by issuing of Section 40 notices.

The strategy in delivering Town Planning services is derived from and determined by the various Town Planning Scheme Regulations, municipal policies, guidelines and strategic plans such as the Spatial Development Framework, Environmental Management Framework (EMF), various legislation relating to land use management, etc.

The major role players are the Architects who draw building plans, residents with their day-to-day enquiries, Regional and Town Planners and Estate Agents. The State Departments also have a consistent interaction with the Town Planning Section. The Municipalities role is also stipulated in the duties and functions of the Local Authority as found in the Municipal Systems Act, Municipal Structures Act and the Constitution. The Municipality also has a responsibility to conduct its affairs in accordance with the BATHOPELE Principles which can be translated as people first. The corollary of the above is the speedy processing of all the Land Use Planning Applications to avoid unnecessary and protracted litigation against the Municipality.

- To ensure the effective allocation of limited resources to a large pool of potential development interventions.
- To provide a formal and practical method of prioritising housing projects and obtaining political consensus for the implementation thereof
- To ensure more integrated development through bringing together the relevant cross-sectoral role players to co-ordinate their development interventions. Municipality, Department of Housing, NHBR, Contractors, Councillors & the Community
- That the Communities are empowered to constructively engage with the Municipality in identifying and fulfilling their housing needs.
- To provide greater spatial linkages between the spatial development framework and the physical implementation of projects on the ground
- To ensure that there is a definite housing focus for the IDP

Application for Land Use Development						
Detail	Formalisation of townships		Rezoning		Built Environment	
	Year -1	Year 0	Year -1	Year 0	Year -1	Year 0
Planning application received	Nil	Nil	8	12	46	61
Determination made in year of receipt	Nil	Nil	8	12	45	61
Determination	Nil	Nil	Nil	Nil	Nil	Nil



made in following year						
Applications withdrawn	Nil	Nil	Nil	Nil	1	Nil
Applications outstanding at year end	Nil	Nil	Nil	Nil	Nil	Nil

Building Control Policy Objectives Taken from the IDP									
Service objectives	Outline Service Targets	Year -1			Year 0			Year 1	Year 3
		Target	Actual	Target	*Previous Year (v)	*Current Year (vi)	Actual	Target	Target
(i)	(ii)	*Previous year (iii)	(iv)		(v)	(vi)	(vii)	*Current year (ix)	*Following year (x)
Service Objectives : To ensure a safe and healthy built environment for all in accordance with standards and specifications govern activities as laid down in the National Building Regulations and Building Standards Act (Act 103 of 1977)									
To ensure a safe and healthy built environment for all in accordance with standards and specifications govern activities as laid down in the National Building Regulations and Building Standards Act (Act 103 of 1977)	100% of submitted plans						All Plans submitted were scrutinised as per the regulations and approved based on meeting the requirements		



Employees: Planning Service					
Job Level	Year -1	Year 0			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts)
0-3	Nil	Nil	Nil	Nil	Nil
4-6	Nil	Nil	Nil	Nil	Nil
7-9	1	1	1	1	100%
10-12	1	1	1	Nil	Nil
13-15	1	1	1	Nil	Nil
16-18	1	1	1	Nil	Nil
19-20	Nil	Nil	Nil	Nil	Nil
Total	4	4	4	1	100%

Financial Performance Year 0: Planning Services (R'000)					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue	1 105 669	1 544 730		1 544 730	
Expenditure:	520 729	950 010		950 010	
Employees	576 940	569 220		569 220	
Repairs and Maintenance	8 000	25 500		25 500	
Other					
Total operational Expenditure	1 105 669	1 544 730		1 544 730	
Net Operational Expenditure					

Capital Expenditure year 0: Planning Services (R'000)					
Capital Projects	Year 0				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total project value
Total All	0	0	0		-
Project A	0	0	0	0%	0
Project B	0	0	0	0%	0
Project C	0	0	0	0%	0
Project D	0	0	0	0%	0

### 3.8 LOCAL ECONOMIC DEVELOPMENT (KPA 3)

Local Economic Development (LED) has been identified as a key means of improving the economic prospects of South African citizens. The purpose of LED is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation.

Ndlambe Municipality is land locked between four Municipalities namely Nelson Mandela Metro, Makana, Ngqushwa and Buffalo City Metro. Ndlambe Local Municipality is a predominantly rural area with agriculture and tourism dominating the economy. It encompasses the towns of Kenton-on-Sea, Boknes, Bathurst, Boesmansriviermond, Alexandria and Cannon Rocks.

The recently released population statistics by Stats SA indicates that Ndlambe has a population of 6/1076 out of which youth unemployment is generally high especially in the townships. Unemployment is at 30% as per 2011 statistics. The Key economic sectors for the Ndlambe Municipal area are:

- Tourism
- Agriculture
- Services sector

The employment within Ndlambe is largely spread across the following economic sectors: government, agriculture and services industry. Government and the agricultural Industry has for quite some time been the contributors in employment. Agriculture is less diversified with key farming activities being Dairy Farming, Beef Farming, Chicory, and Pineapple Farming. Most of the farming activities within the area are pursued by white farmers with black communities being the mere providers of labour.

The Agricultural industry has in the past 10 years been in a state of decline the chicory industry has been the hardest hit with many farmers either shutting down operations or switching over to other commodities like beef farming. The decline in any of the key sectors always has a direct negative impact in the townships in terms of jobs losses and employment. Government has for the past few years started land acquisition initiatives by buying farms to settle groups of farmers or communities to take over some of the white owned farms. The land acquisitions through the Land Reform Programme have not been a great success, in many instances farms bought on behalf of communities and or farming groups started declining thus shedding more jobs with declining productivity. Government owned land and that owned by the municipality e.g. commonages is hardly commercialised or used productively to benefit local communities in a sustainable manner.

As part of a strategy to revive the contribution of the agricultural sector in the local economy, the municipality issued a call for proposals inviting service providers to tender for doing a land audit of state farm land within the municipality, propose strategies for scaling up production and alternative land use. The municipality further requested service providers to profile current performance of land reform farms and determine if there is scope for expansion, increased productivity, and value addition for maximum job creation opportunities.

#### **COMMENT ON LOCAL JOB OPPORTUNITIES:**

Port Alfred is the most sought-after holiday destination on Route 72 and is known for its wonderful temperate climate, endless pristine beaches, friendly village atmosphere, glorious surf, magnificent deep sea and river fishing and the laid-back lifestyle so beloved by all visitors, many of whom become permanent residents.

Alexandria is home to various heritage and tourism sites amongst them being the "Chungwa's Grave" that lies in an area known as the Woody Cape, the Nongqawuse's Grave at the Fick's Farm Holding. It is also famous for its chicory farming industry and has been branded as the "Chicory Country" while Bathurst brings together the past and the present, being the hub of one of the largest pineapple growing areas in South Africa. It is host to what is believed to be the oldest Inn in South Africa, as well as the third oldest pub in South Africa. It is accepted that the natural environment provides the basis for the regional economy, especially the primary agriculture and tourism sectors.

Kenton on Sea, is a small coastal town on the Sunshine Coast. It is situated between the Bushman's River and the Kariega River. The area has many pristine beaches and green rolling hills, and a nature reserve along the shore ensures that no housing developments can spoil the coast.

Cannon Rocks is a village nestled in between the Boknes Village and the boundary of the Greater Addo Elephant Park it has the vast expanse of the warm Indian Ocean in front and rolling farmlands behind, making Cannon Rocks a small piece of paradise.

#### **Livestock Farming**

The livestock farmers in the Ndlambe Municipal area consist of a large number of small scale farmers who farms with very small herds of cattle, sheep and goats. At present the larger part of these farmers, who farms with cattle, only marketed their animals at an older age as C grade carcasses. The small size of the herds in this area is a



contributing factor to this scenario. Farmers try to keep their cattle as long as possible before they market it so that the number of animals, and thus the size of their wealth, can stay as large as possible. The slow capital return from cattle marketed as C grades creates cash flow problems for the black farmers in partnership.

The majority of the black livestock farmers farm with Nguni cattle. The land reform farms are not optimally stocked at the moment. The main marketing constraints faced by smallholder farmers in Ndlambe includes the poor condition of the livestock, the lack of marketing information, the unwillingness and inability to adopt livestock identification practices, the lack of infrastructure and poor production and marketing management.

Very little value-adding and processing of the product is taking place within the Eastern Cape. Although the Eastern Cape has registered abattoirs to slaughter cattle, most cattle leave the province as weaner calves for feedlots in other provinces where they are marketed. One of the main reasons is that it is more efficient to take store animals to the source of feed to be fattened than to transport the feed. The current production of feed for livestock is entered in the North West, Free State and Mpumalanga provinces where maize and soybeans are traditionally produced. The Eastern Cape currently imports 120,000 tons of feed for the livestock industry and would use more were it not for the high transport cost.

Another important phenomenon is that the abattoirs in the Eastern Cape, situated mainly in Nelson Mandela Bay, East London, Queenstown, Mthatha and Kokstad are generally running below their slaughter capacity. These abattoirs are dependent on animals that are brought to acceptable condition mainly during the summer on natural grazing. Apart from on farm fattening by commercial farmers, the communal and smallholder livestock owners are not in a position to round their animals off for marketing purposes. This in turn results in low off-take as well as poor prices being realized. The natural grazing in the communal areas thus becomes grossly overgrazed with low levels of income generated are by the resource.

However, beef cattle farming in the Ndlambe Municipal area have great potential that needs to be developed. Any interventions done should seek to change the picture in favour of black farmers be it those farming in commonages or in land reform farms.

There is a huge need to commercialise live stock farming in Commonages. If this is done there is an opportunity to create community wealth and more jobs.

#### **Dairy Farming**

The Dairy Industry is relatively stable with a positive cash flow, a concerted effort needs to be made to promote partnerships between established and emerging dairy farmers. Such a strategy will secure the long term sustainability of the industry. The Dairy Industry is highly mechanised and therefore not a massive job creator. It is a profitable venture to the few involved in it. Focus should be on improving productivity on existing farms through beefing up management capacity especially on the Land Reform Farms and those going under. Partnerships based on milk sharing or equity schemes are the most pragmatic option for making the black/community owned Dairy Farms to be functional and productive.

#### **Pineapple Production**

The main producing areas of pineapples in South Africa are Northern KwaZulu Natal (Hluhluwe district) and the Eastern Cape. The Eastern Cape generally account for over three quarters of the pineapples produced in South Africa. As pineapples are indigenous to the tropics, the crop requires areas where the climate is warm, humid and free from extreme temperatures (25°C being optimal).

In determining which pineapple cultivar to plant, a producer should take the following into consideration:

- The global demand and the demand in specific markets.
- His or her (the producer's) current infrastructure in respect of being able to cope with pruning, spraying, picking, cold storage and packing of a particular cultivar.
- The availability of natural resources like water, soil types, cold units and slopes.



- The land should be prepared so as to control water runoff and thereby limit soil erosion, facilitate good drainage and prevent root and heart rot, facilitate uniform distribution of sunlight to all plants, and have roads allowing machinery easy access to the pineapple plants to expedite spraying and harvesting.

Pineapple production has been declining over the past five years. Production declined by 6% during the 2009/10 season when compared with the 2008/09 volume. The decrease in production has previously been associated with the cadmium contaminated zinc sulphate fertilizer that was used by the pineapple producers. A multi-national fertilizer distributor operating in the Eastern Cape Province sourced low cost zinc sulphate from China. This zinc sulphate contained high concentrations of cadmium and lead. The resulting effect on crops dosed with these fertilizers was contaminated fruit which has damaged the reputation for South African fruit globally. The continuous decline may be an indication that the industry is still struggling to pull itself out of the crisis. Ndlambe municipal area has been hardest hit by the impact of this catastrophe in the Pineapple industry.

#### Chicory Production

Chicory in South Africa is exclusively produced and processed in the Eastern Cape at Alexandria since 1895. This is an established industry which used to have 100 Chicory commercial farmers each employing 40 workers thus translating to 4000 jobs created at farm operation level. The central processing plant used to create 130 permanent jobs. 95% of roasted Chicory produced by the Industry supplies two major roasted Chicory users namely Nestle for Ricoffy and National Brands Limited for Frisco, Koffiehuis, Ace and Kloof etc.

Since 2003 there has been a gradual increase of imported Chicory from India. The two main customers are currently importing 80% of cheap roasted Chicory from India effectively at no import duty only being charged 9.2c/kg. The Indian Chicory is produced by heavily subsidised farmers whose prices are impossible to match. This has gradually put the entire Chicory industry under severe pressure over the last ten years thus threatening the viability and sustainability of the Industry going forward, to date of the 100 Chicory farmers only 20 are remaining, of the 4000 workers the Industry used to employ only 800 are remaining at farm level and only 36 jobs are remaining at the factory level out of the 130 jobs the factory used to create. If the current conditions prevail for longer the number of farmers will dramatically reduce and so will be the jobs both for the farm and factory operations.

The farmers and the factory are sitting with surplus stock which cannot move because of an extremely reduced market, major clients are only taking 20% of South African Chicory and Importing 80% from India. Our sales have dropped from 10900 tons per year in July 2002 to a projected 2522 tons for the July 2013 season, 8388 tons has been lost to exports over the last ten years, this number will increase going forward if nothing is done to circumvent the current situation.

Jobs created during Year 0 by LED initiatives (Excluding EPWP projects)				
Total jobs created / Top 3 initiatives	Jobs Created  No.	Jobs lost / displaced by other initiatives  No.	Net total jobs created in year  No.	Method of validating jobs created / lost
Total (all Initiatives)	9 initiatives			
Year -2	47	0		Type of entity



<b>Year -1</b>	33	(pineapple and chicory industries faced challenges)		Type of entity
<b>Year 0</b>	44	N/A		

Job Creation through EPWP projects		
Details	EPWP Projects No.	Jobs created through EPWP projects No.
<b>Year -1</b>	3	106
<b>Year 0</b>	3	91

Local Economic Development Policy Objectives Taken from the IDP									
Service objectives	Outline Service Targets	Year -1		Year 0		Year 1		Year 3	
		Target		Actual		Target		Target	
		*Previous year (iii)				*Current Year (vi)		*Current year (ix)	*Following year (x)
(i)	(ii)		(iv)		(v)		(vii)		
Service Objectives:									
Training of people in essential skills:	Number of people trained (including retrained upskilled)	x people trained	x people trained	x people trained	x people trained	x people trained	x people trained	x people trained	x people trained
Cooperative Establishment	20 people	20 people	14 people		12 people	26 people			
Cooperative Movement principles	50	50	41						
Business Development	30	30	17		8 people				



Financial Management	50	50	34			18 people					
Tendering Skills	50	50	34								
Funding Opportunities	50	50	38			6 people					
Establishment of Agric Cluster	1	1	13								
SMME Tourism						15	10				
Compliance Training Workshop	1	1				60	41				
Coop Assessment	1	1				80	60				
Stakeholder Engagement	1	1				50	22				
TOTALS			268				167				

Employees: Local Economic Development Service					
	Year -1	Year 0			
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
7-9	1	1	1	0	0%
10-12	1	3	0	3	100%
13-15	1	1	1	0	0%
Total	3	5	2	3	60%

Financial Performance Year 0: Local Economic Development Services					
(R'000)					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to budget
Employees	913354.44	1273830	1235430	1379120	
Repairs and Maintenance	631.59	150000	50000	105000	
General Expenses	87365.94	1226610	1357110	1649104	
Internal Capital			7900		
Total operational Expenditure	100135.97	2650440	563415.00	3133224	

**COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:**

Ndlambe Municipality has a huge scope to increase and intensify cattle farming and goat farming as key focal farming enterprises to emerging farmers and commercial farmers.

Livestock farming based on commonages has to be commercialised and township based farmers have to be taken through a commercialisation path through a massive campaign, technical support, training and design of a programmes to support black farmers towards commercialisation of livestock farming out of the townships. Focus should be on improving productivity on existing farms through beefing up management capacity especially on the land reform farms and those going under.

Partnerships based on milk sharing or equity schemes is the most pragmatic option for making the black/community owned dairy farms to be functional and productive. The Dairy industry is relatively stable and cash flow positive, a concerted effort needs to be made to promote partnerships between established and emerging dairy farmers. Such a strategy will secure the long term sustainability of the industry. Unfortunately the Dairy industry is highly mechanised and therefore not a massive job creator. It is a profitable venture to the few involved in it.



## COMPONENT D: COMMUNITY AND SOCIAL SERVICES

### 3.9 INTRODUCTION TO LIBRARIES; ARCHIVES; COMMUNITY FACILITIES

Library services play a critical role as information and resource centres for the local communities and for citizens. Ndlambe Municipality currently has seven operating libraries. The municipality, in partnership with the Department of Sports, Recreation, Arts and Culture (DSRAC) have renovated a building in Nemato Township to accommodate community. Presently, all the libraries within the Municipal jurisdiction are serving as Public and School libraries due to lack of facilities at schools. High volumes of school pupils are visiting libraries for school projects either for internet facilities or text books.

#### CIRCULATION OF LIBRARY MATERIALS

The computerised SITA Library Management System has rolled out to two libraries in the year under review and that lives us with three Ndlambe libraries that are computerised, however the two mentioned libraries are still migrating some of the information from manual to computerised system e.g. Re-registration of members and check all books are captured to the new system. Statistics of all libraries shows great circulation during the year under review

LIBRARIES	ADULT	CHILDREN	BOOK BLOCKING	CIRCULATION
ALEX	1 298	4099	Grd R Bhongweni, Alexandria High Alex Christian Academy	11527
BUSHMANS	1 205	1 371	Thokomala Support Group	5105
KENTON	1 211	1 305	Kenton Primary GlorylandCreche	18 517
EKUPHUMLENI	240	87		3991
PORT ALFRED	5 272	1 856	Damant Lodge Happy Hours Pre Primary	30 016
BATHURST	127	98		6739
FREESTONE	326	460	Masiphumelele Day Care Centre	8 421

Libraries, Archives, Community Facilities, Policy Objectives Taken from the IDP										
Service objectives		Outline Service Targets	Year -1		Year 0		Year 1		Year 3	
Service Indicators	Target		Actual	Target	Actual	Target	Actual			
	*Previous year (iii)		(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)	*Following year (x)	
Service objective: Communities have access to well-maintained social infrastructure that supports social interaction, education and economic activities that are managed in partnership with the municipality										
Increase in number of functioning libraries with computerised systems	Two libraries were computerised				1 library	Two libraries were computerised				
Awareness on library services	4 Awareness programmes				4 awareness campaigns	7 Awareness programmes				
Increase number of existing Libraries	2 Libraries				2 libraries	1				
Ablution Block for Libraries	2 libraries				1	1 port Alfred library				
Maintenance of existing parks according to developed schedule	4 Parks				4 Parks					
Good maintenance of cemeteries	12 Cemeteries				12 Cemeteries					



## ARCHIVES

### Develop a draft PAIA Manual

A PAIA Manual was finalised, Adopted and implemented and copy was forward to South African Human Rights Commission. The PAIA Manual allows for transparency in the form of a Request Form.

### Eliminate paper based documentation and records through Implementation of e-government

The Integrated Municipal Information System (IMIS) is an electronic version of paper based documents which are routed to the relevant departments for their action. The IMIS system:

- Manage all aspects of a municipality in one system
- Easy access to the right information
- Full audit trail
- Full access control
- Process automation allows low skilled user to be guided through process to ensure accuracy
- Communication barriers broken down

### IMIS Modules in use:

TGIS is offering 12 modules of which Ndlambe Municipality use 11 of these, namely:

\* All Sub-Modules indicated in red are not in use by Ndlambe Municipality:

**IMIS Integrator** x 4 – Workflow platform, Tasks, Messages, Faxing and Email

**IMIS Land** x 4 – GIS, Land Management, Town Planning, Estates Management and Valuation

**IMIS Doc** x 4– Document and Records Management, Document Portal, Content Management

**IMIS Fin** x 3 – Asset Register, Financial System Linking, Field Audit Services

**IMIS Build** – Building Register, Building Plan Applications, Sewer Connections, Inspections, Vehicle Entrances

**IMIS Infra** x 6 – Infrastructure Management (Water, Sewer, Electricity, Roads and Stormwater: - Inventory, Assessment & Register, Maintenance)

**IMIS Customer** x 1– Customer Care

**IMIS Projects** x 3 – IDP, Project Management, Time Management

**IMIS Business** x 5 – Client Management, Contract Management, Lead Management, Meeting Management, Supply Chain Management

**IMISHR** x 4 – Personnel Management, Organogram, Leave Management, Performance Management

**IMISSocial** x 8 – Cemetery Management, Disaster Management, Housing, Demographics, Health, Local Census, Heritage Sites and Statistics

**IMIS Enviro** – Waste Management

Laptops and 3G cards were supplied to all Ndlambe Councillors Training was provided to the councillors to equip them with the usage of IT and Internet Services. These will eliminate the use of paper based documents being distributed and have an impact on the budget of Corporate Services

#### Implementation of Record Management Policy

The Records Management Policy is currently in the draft stages and in the process of adoption by Council. The implementation hereof would comply with the implementation of the new and approved File Plan currently being reviewed to be approved by Provincial Archives as the current File Plan is an unapproved document.

### **3.10 CEMETERIES AND CREMATORIUMS**

#### **INTRODUCTION TO CEMETERIES**

This service falls under Parks and Recreation Section. The municipality is currently under pressure due to unavailability of land for cemeteries. In terms of the revised SDF there is a need to identify new cemeteries but this will require environmental impact assessments and identification of land. All cemeteries throughout the municipality are cleaned on a regular basis and fences and gates were replaced in Ward 1 and 2. The municipality does not have its own crematorium facility and as such individuals utilise the services of funeral parlours.



Cemeteries and Crematoriums Policy Objectives Taken from the IDP									
Service objectives Communities have access to affordable grave sites in close proximity to settlements that are well-maintained and protected from vandalism	Outline Service Targets	Year -1		Year 0		Year 1		Year 3	
		Target	Actual	Target	Actual	Target	Actual	Target	Target
Good maintenance of cemeteries	(ii) 18 Cemeteries	*Previous year (iii) 14 Cemeteries Fenced	(iv) 14 Cemeteries Fenced	*Previous Year (v) 14 Cemeteries Fenced	*Current Year (vi) 18 Cemeteries maintained	*Current year (viii) 18 Cemeteries To be maintained	*Current year (ix) 18 Cemeteries To be maintained	*Current year (ix) 18 Cemeteries To be maintained	*Following year (x) 18 Cemeteries To be maintained

**COMMENT ON THE PERFORMANCE OF CEMETERIES & CREMATORIUMS OVERALL:**

- There is no staff specifically employed for "Cemeteries" – these employees fall under "Parks & Recreation";
- There are no posts in the Organogram allocated for "Cemeteries";
- There has been no capital budget for Cemeteries and Crematoria during the 2014/2015 financial year.

GREATER AREA	COMMUNITY	WARD	Nr of CEMETERIES
Greater Alexandria	Town of Alexandria	1	1
	KwaNonquela	1	1
Boknes / Canon Rocks	Wentzel Park	2	1
	Boknes / Cannon Rocks	2	0
	Marselle	3	1
	Town of Bushmans river	3	1
Kenton / Bushmans River	Town of Kenton on Sea	4	1
	Ekhuphumleni	4	2
	Bathurst (Main rd)	5	1
	Nolukhanyo	5	1
Greater Bathurst	Town of Port Alfred	10	2
	Nemato	8	4
	Station Hill	6	1
Greater Port Alfred	Seafield / Kleinemonde	6	0
TOTAL			<u>18</u>

### 3.11 WASTE MANAGEMENT

#### REFUSE REMOVAL NDLAMBE MUNICIPALITY – 2014/15

15 961 HOUSEHOLDS PER WEEK SERVICED THROUGHOUT NDLAMBE

GREATER AREA	COMMUNITY	WARD	Nr of HOUSEHOLDS
Greater Port Alfred			
Monday	Town of Port Alfred	10	872
Tuesday	Nemato	7-9	709
	East Bank / Bottom West	10	861



Wednesday	Saltvei / Station Hill	10, 6	1119
	Nemato	7-9	695
Thursday	Ndlovini	7-9	1595
	Thornhill	6	500
Thursday / Friday	Businesses in PA	10	•
TOTAL			<u>6351</u>

GREATER AREA	COMMUNITY	WARD	Nr of HOUSEHOLDS
Greater Alexandria	Town of Alexandria	1	273
	KwaNonquela	1	1987
	Wentzel Park	2	736
Boknes / Cannon Rocks	Boknes	2	350
	Cannon Rocks	2	250
Greater Bathurst	Town of Bathurst	5	205*
	Nolukhanyo	5	856
	Freestone	5	918
Seafeld / Kleinemonde	Seafeld / Kleinemonde	6	235
TOTAL			<u>5810</u>

GREATER AREA	COMMUNITY	WARD	Nr of HOUSEHOLDS
Bushman's River Mouth			
Mondays	Riversbend / Harmony Park	3	487
Tuesday	Old Bushmans (Town)	3	254
Wednesday	Half Marselle / River Rd	3	581
Thursday	Rest of Marselle	3	750
Friday	Businesses, Bins & Beach	3	35
Kenton-on-Sea			
Mondays	Kenton Businesses	4	36
Mondays	Kenton Town	4	146
Tuesday	Kenton Residence	4	387
Wednesday	Kenton Residence	4	375
Thursday	Ekuphumleni	4	820
Friday	Businesses, Bins & Beach	4	36
<b>TOTAL</b>			<b><u>3800</u></b>



Waste Management Policy Objectives Taken from the IDP									
Service objectives	Outline Service Targets	Year -1		Year 0		Year 1		Year 3	
		Target	Actual	Target	Actual	Target	Actual	Target	Actual
Service Indicators		*Previous year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	*Current year (viii)	*Current year (ix)	*Following year (x)	
(i)	(ii)						(vii)		
Service Objectives : Communities have sufficient and affordable solid waste disposal options to encourage a clean and healthy environment									
Number of households where refuse has been removed	20 000 Households		15 961		20 000 Households		15961 + 4039 informal = 20 000		
Increase in the investment for maintenance of landfill sites	2 Landfill sites to have permits				2 Landfill sites to have permits		3 licensed landfill sites + 1 license for closure + 3 transfer site licenses		

## COMPONENT E: ENVIRONMENTAL PROTECTION

This component includes: pollution control; biodiversity and landscape; and coastal protection.

### 3.12 POLLUTION CONTROL

Pollution Control Policy Objectives									
Service objectives		Outline Service Targets	Year -1		Year 0		Year 1	Year 3	
Service Indicators			Target	Actual	Target	Actual	Target	Target	
			*Previous year (iii)		*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)
(i)	Number of investigated communicable diseases affecting children under 5	(ii)	At least 45% of all reported cases are investigated	(iv)	At least 45% of all reported cases are investigated	At least 60% of all reported cases are investigated	92 diarrhoea cases 51 cases investigated	At least 60% of all reported cases are investigated	263 water samples are taken in all Wards
	Number of food and water samples taken according to a schedule to ensure compliance with FCD Act and SANS 241 Standards respectively		80% (263) water samples taken in all Wards		80% (263) water samples taken in all Wards (total 420 samples)	263 water samples are taken in all Wards			



Financial Performance Year 0: Pollution Control (R'000)					
Details	Year 2013/2014	Year 2014/2015			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue		1 460 555		1 460 555	
Expenditure:					
Employees		1 181 990		1 181 990	
Repairs and Maintenance		36 000		36 000	
Other		651 270		651 270	
Total operational Expenditure		1 869 260		1 869 260	

- There is no staff employed for pollution control – the Environmental Health Practitioners are carrying out this function;
- There are no posts in the Organogram specifically for pollution control;
- There is no budget allocated specifically for pollution control.

### 3.13 BIO-DIVERSITY AND LANDSCAPE

Bio-Diversity; landscape and Other Policy Objectives									
Service objectives		Outline Service Targets	Year -1		Year 0		Year 1		Year 3
(i)	(ii)		*Previous year (iv)	*Actual (v)	*Previous Year (v)	*Current Year (vi)	*Actual (vii)	*Current year (viii)	*Following year (x)
Service objectives: Communities and visitors in Ndlambe utilise the natural resources / assets in a sustainable manner for economic and recreational purposes, in accordance with the available legislative framework									
Number of people reached through outreach on environmental conservation/ education programmes		300 people in Wards 1, 4, 7, 9	1871 people reached	300 people in Wards 1, 4, 7, 9			1712 people reached		
Number of law enforcement activities / patrols on rivers, beaches and nature reserves		110 patrols	436 patrols	110 patrols			776 patrols		
Continued implementation of the Working for the Coast Projects as a labour intensive initiative		2 Projects	2 Projects	2 Projects			2 Projects		



Number of beach facilities maintained at a standard equivalent to Blue Flag standard and receiving a rating of at least 90%		2 Blue Flag beaches	Achieved	2 Blue Flag beaches	2 Projects 5 Blue Flag beaches	Achieved and exceeded (5 Blue flag Beaches)			
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Financial Performance Year 0: Bio-Diversity; landscape and Other (R'000)					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue		1 198 424		1 198 424	
Expenditure:					
Employees		2 390 580		2 390 580	
Repairs and Maintenance		500 040		500 040	
Other		847 525		847 525	
Total operational Expenditure		3 738 145		3 738 145	

#### Environmental Compliance

##### Number of vessel patrols conducted, 5.5metre, 4.7metre rubber duck and 4.2metre hull:

Kowie River	=	124
Kariega River	=	12
Bushmans River	=	13
Fish River	=	0
Coastal Patrols	=	7
Number of vehicle patrols:	=	573
Number of beach patrols:	=	25
Number of Game Reserve patrols:	=	29

#### Blue Flag Beaches

1. Kariega Main Beach
  2. Kelly's Beach
  3. Kleinemonde Beach
  4. Middle Beach K.O.S
  5. Boknes Beach
- Ndlambe municipality applied for five full status beaches namely that of Kelly's Blue Flag Beach (9<sup>th</sup> season in a row), Kariega Main Beach (5<sup>th</sup> season in a row), Boknes (2<sup>nd</sup> season), Kleinemonde (1<sup>st</sup> season) and Middle beach (1<sup>st</sup> season).
  - At the National launch Ndlambe received FIVE Blue Flags, namely that of Kelly's Beach (Ward 10), Kariega Main Beach and Middle Beach (Ward 4), Kleienmonde (Ward 6) and Boknes (Ward 3). The Royal Alfred Marina was also awarded Full Blue Flag Marina Status for the second year.
  - The Blue Flag season for the past financial year started on 1 December 2013 and ran up until 30 April 2014 for Kelly's and Kariega beaches. During this period 5 unannounced visits were carried out by a Blue Flag South Africa Inspector. The inspections obtained results of 22/25 for Kariega Beach and 21/25 for Kelly's Beach, 22/25 for Boknes, 22/25 for Middle beach and 22/25 for Kleinemonde, this equates to a 5 star status for all five beaches according to Blue Flag standards.



### Working for the Coast

- 2 DEA Working for the Coast Projects were in progress this year in the Ndlambe area:
- SANPARKS (Bushmans to Sundaysriver mouth). Number of beneficiaries: 135 of which 117 from Ndlambe area Alex to Bushmans
- Footmark (Kenton-on-Sea to Fish River) Coastcare programme. Number of beneficiaries: 63 and 12 part time over season, all from Ndlambe area
- The projects started on the 1 September 2013 and officially come to an end at the end of June 2015.

### Coastal Protection

Coastal Protection covers various sections such as Environmental Health, Environmental Compliance, Parks & recreation, Blue Flag Beaches and Nature Reserves so it is difficult to allocate staff and budget on tables below. The sections have been captured in other sections of the document.

Very successful New Year's / Festive season campaign:

- Cleaning teams / Beach Buddies were employed both at Port Alfred West Beach and Kariega Main Beach.
- Appointment of 4 Public amenities officials
- 20 Traffic marshals over new year's day period
- 4 Beach marshals at West Beach and Kariega Main Beach

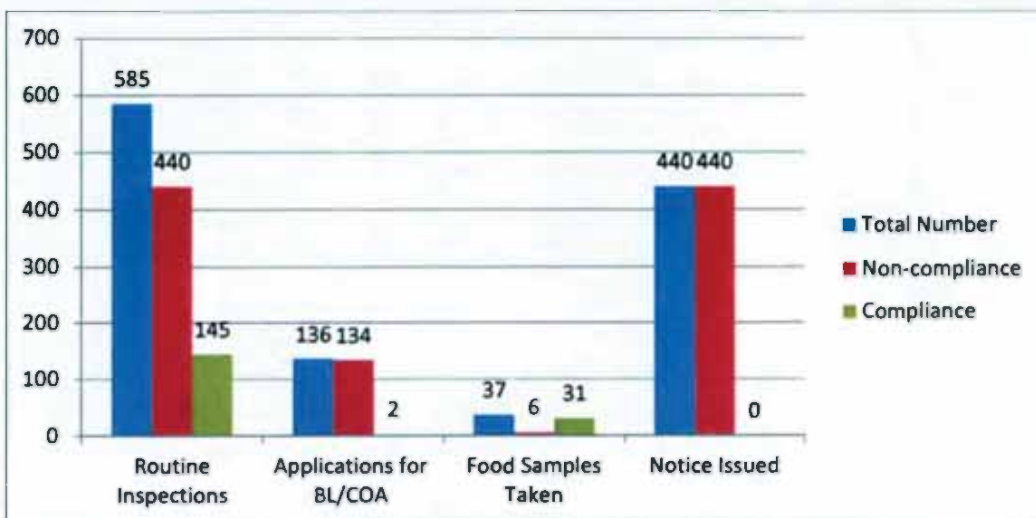
## COMPONENT F: HEALTH

### 3.14 ENVIRONMENTAL HEALTH

#### FOOD QUALITY CONTROL – INSPECTION OF FOOD PREMISE AND LICENSING

Inspection of food premises is one of the most important Key Performance Areas for Environmental Health Services (Municipal Health Services). Food Quality Control is also set out on the municipal IDP as one of the key performance areas for environmental health services. Regular unannounced inspections are conducted on food premises to make sure that food premises are compliant with food hygiene handling requirements as per legislative requirement. Vigorous efforts are made to assist and encourage all food premises inspected to be compliant with the regulations governing general food hygiene handling where there are contraventions with the regulations.

FIGURE 1: Analysis of Inspections carried out.



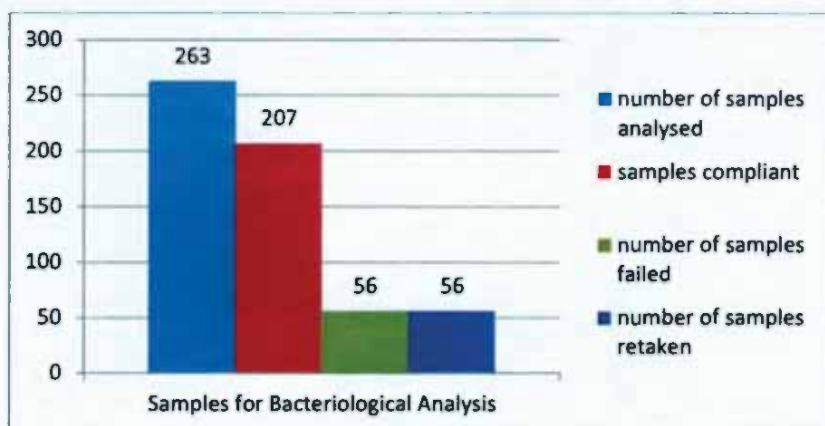
Environmental Health Policy Objectives Taken from the IDP										
Service objectives		Outline Service Targets	Year -1		Year 0		Year 1		Year 3	
Service Indicators			Target	Actual	Target	Actual	Target	Actual	Target	Actual
(i)			*Previous year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)	*Following year (x)
Service Objectives: To improve the environmental health of the area in accordance with relevant health legislation										
Rollout of Ndlambe Environmental Health Awareness Programme (NEHAP)		100%					On-going			
Compliance with R918 regulations pertaining to all food premises		100%					On-going			



## 1. WATER QUALITY MONITORING

Water quality monitoring is also the most important Key Performance Areas for Environmental Health Services (Municipal Health Services). Water Quality monitoring is also set out on the municipal IDP as one of the priority areas for basic service delivery. Regular drinking water samples are taken for bacteriological and chemical analysis as per legislative mandate (SANS 0241) to establish water safeness for human consumption.

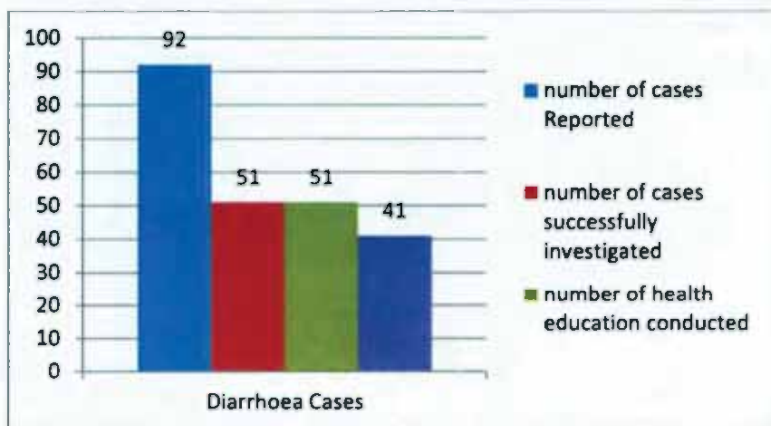
FIGURE 2: Drinking Water Quality Monitoring



## 2. COMMUNICABLE DISEASES

Communicable disease is also the most important Key Performance Areas for Environmental Health Services (Municipal Health Services) as also set out on the municipal IDP document. Epidemiological investigations for communicable diseases affecting children under five (5) years are conducted to ascertain the possible cause of the diarrhoea. During the investigation of the cases health education is also conducted to the affected family and more emphases is given to good hygiene practices in an effort to prevent re-occurrence of the similar situation.

FIGURE 3: Number of Diarrhoea Cases Investigated

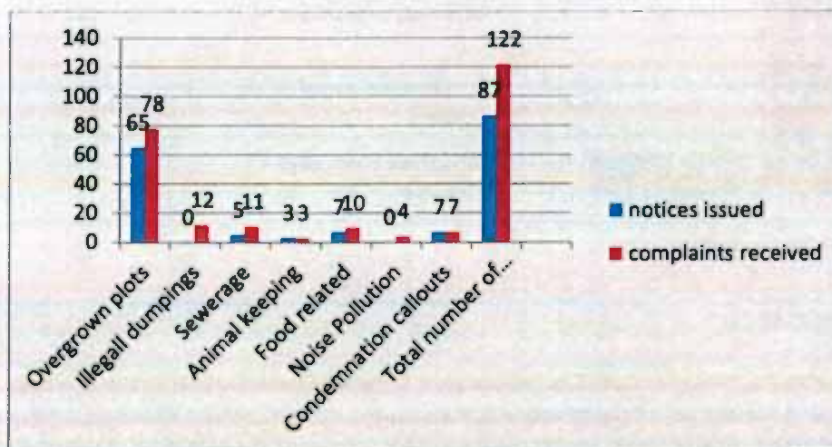


### 3. ENVIRONMENTAL HEALTH RELATED COMPLAINTS

Environmental health is concerned with all aspects of natural and built environment that may affect human health. Environmental health also contributes to the promotion of wellness and prevention of disease, primarily by controlling environmental factors that negatively impact on human health; it also encompasses the discipline of anticipating, recognizing, evaluating and controlling health hazards. Most of the complaints attended are the priority areas of the municipality as listed on the municipal IDP document.

The table below shows environmental health related complaints received during the 2014/2015 financial year. Approximately one hundred and twenty two (122) environmental health complaints were attended to and are as follows:

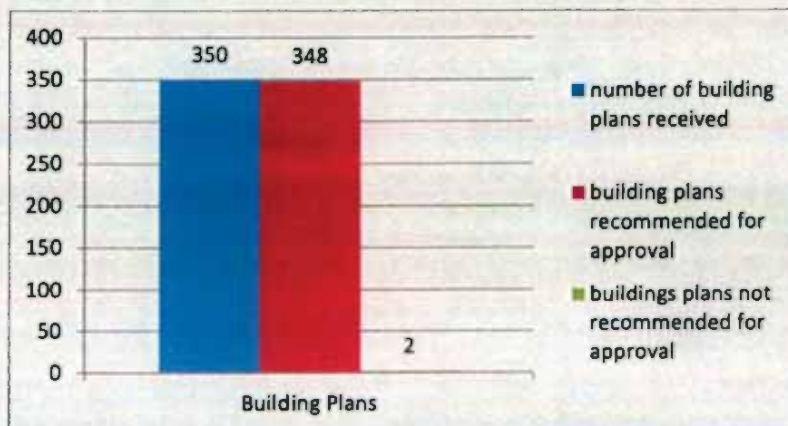
FIGURE 4: Environmental health related complaints



### 4. BUILDING PLANS

Approximately three hundred and fifty (350) building plans that were scrutinized and recommended for approval in the financial year 2014/15 by the environmental health section.

FIGURE 5: Building Plans



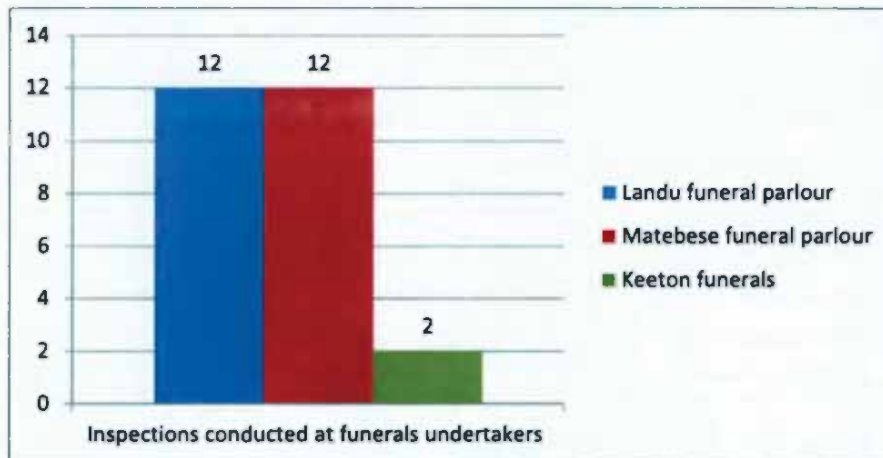


## 5. DISPOSAL OF THE DEAD

### INSPECTION OF FUNERAL PARLOURS

All funeral parlours or undertakers are inspected to ascertain that the premises are in compliance with the applicable legislations including the regulation relating to funeral undertakers.

FIGURE 6: illustrates the number of inspection conducted at the three Funeral Parlours below.



COMPONENT G: SECURITY AND SAFETY

3.15 FIRE

Fire and Emergency Services Policy Objectives Taken from the IDP										
Service objectives		Outline Service Targets	Year -1		Year 0		Year 1		Year 3	
Service Indicators	(i)		Target	Actual	Target	Actual	Target	Actual	Target	Actual
			*Previous year (iii)	(iv)	*Previous Year (v)	*Current Year (vi)	*Current year (viii)	*Current year (ix)	*Following year (x)	
Service Objectives : Households living below the poverty line (R 800 per month), as well as vulnerable groups, have improved access to all required basic services, health facilities and social/ work creating programmes										
Number of fire awareness campaigns conducted in wards and program implemented where a total number of no less than 2000 people are reached		15 Campaigns				15 Campaigns		15 Campaigns		
Number of fire hydrants inspected to ensure serviceability		300 hydrants				300 hydrants		400 hydrants		
Number of businesses where risk assessments and/or flammable liquids inspections are carried out to monitor compliance with fire-related requirements		400 business premises				400 business premises		400 business premises		



Traffic Services Policy Objectives Taken from the IDP											
Service objectives		Outline Service Targets	Year -1		Year 0			Year 1		Year 3	
Service Indicators	Target		Actual	Target		Actual	Target	Target			
	*Previous year (iii)		(iv)	*Previous Year (v)	*Current Year (vi)	(vii)	*Current year (viii)	*Current year (ix)	*Following year (x)		
(i)		(ii)									
Service Objectives : Develop sufficient human capacity, expand and enhance all law enforcement and traffic related areas to maximise on safety											
Percentage of all fines issued are finalised		100%				100%	100%				
Rate at which the road/traffic signage maintenance schedule is implemented across all wards		60%				60%	60%				
Rate at the MRVA is operated in compliance with the Service Level Agreement		90%				90%	90%				

**Employees: Fire and Emergency and emergency Services**

Job Level	Year -1		Year 0		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
7-15		16	16	-	0%

**Financial Performance Year 0: Fire Services**

(R'000)

Details	Year -1		Year 0		
	Actual	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue		29 160		39 538	
Expenditure:					
Employees		3 207 310		3 666 553	
Repairs and Maintenance		164 690		40 682	
Other		277 310		248 209	
Total operational Expenditure		3 649 310		3 955 445	

**3.16 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)**

- Disaster Management is a competency of Cacadu District Municipality. A Disaster Co-Ordinator has been appointed by Cacadu District Municipality and he has a satellite office in the Port Alfred;
- The Municipality is currently not carrying out the function of Animal Licensing. The control of animals and Public Nuisances is a shared function between Environmental Conservation and Environmental Health.

**COMPONENT H: SPORT AND RECREATION**

Employees: Sport and Recreation					
Job Level	Year -1		Year 0		
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalent) No.	Vacancies (as a % of total posts) %
0-12		42	41	1	4.6%



Financial Performance Year 0: Sports and Recreation (R'000)					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue		207 300		192 814	
Expenditure:					
Employees		4 590 110		5 363 205	
Repairs and Maintenance		417 080		210 110	
Other		883 995		976 318	
Total operational Expenditure		5 891 185		6 549 634	

Sport and Recreation Policy Objectives Taken from the IDP									
Service objectives Communities and visitors in Ndlambe with specific reference to the youth have access to sustainable and affordable recreation and sport facilities that are managed in partnership with the Municipality	Outline Service Targets	Year -1		Year 0		Year 1		Year 3	
		Target		Target		Target		Target	
		•Previous year (iii)	Actual (iv)	•Previous Year (v)	•Current Year (vi)	•Current year (viii)	•Current year (ix)	•Following year (x)	
(i)	(ii)		(iv)	(v)	(vi)	(viii)	(ix)	(x)	
Good maintenance of existing parks					4 parks	Achieved			



## CHAPTER 4

### ORGANISATIONAL DEVELOPMENT

#### INTRODUCTION TO HUMAN RESOURCE SERVICES

Ndlambe Municipality employs approximately 490 people who currently account for more than 38% of the local municipality's overall budget. It should be understood that people are not only an organisation's most valuable assets, they are the organization. Without them nothing will happen. The staff should be seen and treated as the organisation's customers-it therefore becomes the duty of the municipality to work towards making them successful.

Critical to people management is management of their performance through not only goal setting but also regular performance reviews. Of importance in Human Resource Management is the investment in the training of staff-the more staff know the more value will the municipality be able to add to its customers. The municipality needs to move away from the culture of non-recognition of effort and develop measures and systems to reward achievement and celebrate success.

Lastly the municipality through the Human Resources has to develop mechanisms to measure staff satisfaction, absenteeism and staff turnover so as to ensure that the people management process is working optimally. The effective and strategic management of human resources therefore becomes the cornerstone of the wider transformation of the local public service.

To survive and to remain a key player in sustainable development the municipality thus has to develop measures that will ensure a strategic human resource management approach.

Employees: Human Resources Services					
	Year -1	Year 0			
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
Sec 56	1	1	1	0	0
Task Grade 16 - 11	3	2	2	1	33.3

Financial Performance Year 0: Human Resources Service (R'000)					
Details	Year -1	Year 0			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to budget
Total Operational Revenue	0	0	0	0	0
Expenditure:	0	0	0	0	0
Employees	518 834.15	1105950	0	680436.05	425513.95
Repairs and Maintenance	1900	1000	0	0	1000
Other	278046.05	502000	0	408554.86	93445.14
Total operational Expenditure	858780.20	1608950	0	1088990.91	519959.09
Net Operational Expenditure					

#### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Employees					
Description	Year -1	Year 0			
	Employees	Approved Posts	Employees	Vacancies	Vacancies
	No.	No.	No.	No.	%
Water			40	6	
Waste water (sanitation)			29	5	
Electricity	3	3	3	0	0
Waste Management			60	2	
Housing	7	8	8	1	
Waste Water (stormwater drainage)			29	0	
Roads	40	46	60	13	
Transport					
Planning	5	6	7	2	
Local Economic Development	2	5	3	2	60
Planning (strategic and Regulatory)					
Community and Social Services			47	3	
Environmental Protection / Health			11	4	
Sport and Recreation		1	1	0	
Corporate Policy Offices and Other	55	63	103	2	
Totals			401		

Vacancy Rate: Year 0			
Designations	Total Approved Posts	*Vacancies (Total time that vacancies exist using fulltime equivalents)	*Vacancies (as a proportion of total posts in each category)
	No.	No.	%
Municipal Manager	1	0	0
CFO	1	0	0
Other SS7 Managers (excluding Finance Post)	3	1	
Other SS7 Managers (Finance Post)	0	0	0
Fire Fighters	13	1	0
Senior Management	18	3	



levels 13 – 15 (excluding Finance Post)			
Senior Management levels 13 – 15 (Finance Post)	4	0	0
Highly skilled supervision: levels 9 – 12 (excluding Finance posts)	17	2	0
Highly skilled supervision: levels 9 -12 (finance posts)	4	0	0

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
Year 0	8	15	

#### COMMENT ON VACANCIES AND TURNOVER:

Most of the terminations during the financial year were dismissals due to misconduct and deaths.

#### COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

##### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The Council has reviewed and adopted policies including the new ones. The process of policy development is ongoing as the needs may arise with time. It must be noted that the engagement process in consultation with labour at the Local Labour Forum and with the working session with the Councillors in policy development has led to the final adoption of the policies.

The next phase in the policy development is now to workshop staff in all administrative units and consolidate such into municipal employee handbook.

#### 4.2 POLICIES

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by Council or comment on failure to adopt
1	Occupational Health, Employee Wellness and Work Place Safety	100		Adopted 08/08/2013
2	Policy on Overtime	100		Adopted 08/08/2013
3	Remuneration Policy	100		Adopted 08/08/2013
4	Private Work Policy	100		Adopted 08/08/2013
5	Recruitment and Selection Policy	100		Adopted 08/08/2013
6	Policy on Acting and Acting Allowance	100		Adopted 08/08/2013

7	Bereavement Policy	100		Adopted 26/06/2014
8	Long Service and Retirement Policy	100		Adopted 26/06/2014
9	Grievance Policy	100		Adopted 26/06/2014
10	Motor Vehicle Allowance Policy	100		Adopted 26/06/2014

#### 4.3 INJURIES, SICKNESS AND SUSPENSIONS

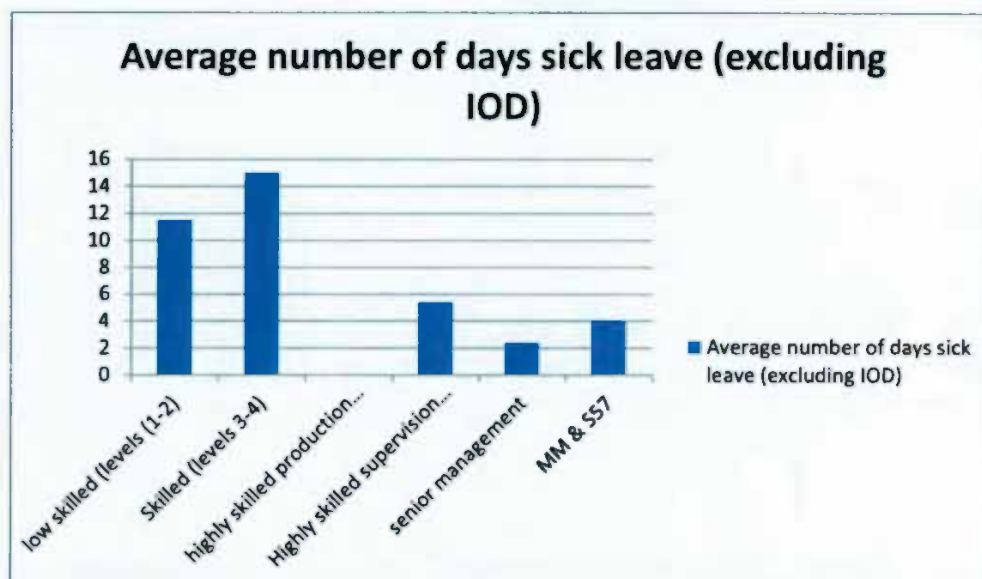
Number and Cost of Injuries on Duty					
Type of Injury	Injury level taken Days	Employees using injury leave No.	Proportion employees using sick leave %	Average injury leave per employee Days	Total Estimated Cost R'000
Required basic medical attention only	35	3	10 %	14	00.00
Temporary total disablement	194	3	2 %	90	00.00
Permanent disablement	46	2	4 %	90	00.00
Total	275	8	16 %	194	00.00

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification %	Employees using sick leave No.	Total employees in post*	*Average sick leave per employees	Estimated cost R'000
Lower skilled (levels 1-2)	1 546	10 %	134	334	11.5	00.00
Skilled (levels 3-5)	1 517	30 %	101	133	15	00.00
Highly Skilled supervision (levels 9 - 12)	70	5 %	13	14	5.4	00.00
Senior Management (levels 13 – 15)	14.50	5 %	6	11	2.4	00.00
MM and SS7	4	2 %	1	5	4	
Total	3151.50	52 %	287	465	38.3	00.00

\* - Number of employees in post at the beginning of the year Salary band

\*Average is calculated by taking sick leave in column 2 divided by total employees in column 5





#### COMMENT ON INJURY AND SICK LEAVE:

The use of injury on duty leave has been low as the injuries sustained during the year were not gross in nature. On the other hand the use of sick leave has proven to be high. There are various reasons to this and they could be ill-health as there are chronic illnesses and also the abuse of sick leave. However, with the recent adoption of the leave policy, it is expected that abuse of leave to be managed more effectively.

#### COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

##### INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The municipality recognises the investment in human capital through capacitation of staff. Annually the Workplace Skills Plan is developed and submitted to the Local Government Seta. The plan contains the capacity building programmes for its Councillors and workforce. During the financial year 2014/15 under review 13 employees and 3 Coaches / Assessors will be attending an NQF Level 3 Water Process Controllers learnership in collaboration with the Department of Water Affairs. This has been a great achievement for the municipality as a Water Service Provider.

Financial Competency Development: Progress Report*						
Description	A. Total Number of officials employed by municipality (Regulations 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial officials						
Accounting Officer	1		1	1	1	1
Chief Financial Officer	1		1	1	1	1

Senior Managers	4		4	4	4	4
Any other Officials	10					
Supply Chain Management Officials	1					
Heads of supply chain management units	1					
Supply chain management senior managers	0					
Total	17		6	5	6	6

Skills Development Expenditure R'000									
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development Year 1						
		No.	Learnerships		Skills programmes & other short course		Other forms of training		
MM & S57	Female	1					2		
	Male	1							
Legislators, senior officials and managers	Female	6			1				
	Male	3							
Professionals	Female	4			3		1		
	Male	2					2		
Technicians and associate professionals	Female	2			1		1		
	Male	3			1		2		
Clerks	Female	5			3		2		
	Male								
Service and sales workers	Female	21			21				
	Male	18			26		8		
Plant and machine operators and assemblers	Female	1		1					
	Male	14		14					
Elementary occupations	Female								
	Male	3			3				
Sub - total	Female	40							
	Male	41							
Total		81		15	59		18		
The total expenditure on training and development is R									

COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL COMPETENCY REGULATIONS:



The expenditure on skills development is prioritised according to the needs of the organisation in order to enhance service delivery. All the Head of Departments have attended the financial competency regulations. The municipality also invests on its employees through formal education.

# ANNEXURE A

## ORGANISATIONAL PERFORMANCE SCORECARD









Local Economic Development (KPA Weight: 16%)										
Priority Area	Objective	Indicator	Weight (%)	Baseline	Evidence	Target	Targets (30 June) 2014/2015			
							Q1	Q2	Q3	Q4
							1	2	3	4
							scores			
							1	2	3	4
Economic growth	Number of projects implemented in line with the LED sector plan	Number of projects implemented in line with the LED Sector Plan	2.0%	none	database	5	1	2	1	1
		Number of new and existing SMEs supported by municipality (capacity building)	2.0%	0	SME Strategy in place database and report	5		1	2	2
		Requisition of land for emerging farmers	2.0%	0	Aquaticus	2		1		1
		Number of projects maintained in line with Tourism Sector plan	2.0%	6	business plans and reports	2	1		2	2
		Catalytic projects to support economic development and job opportunities	2.0%	0	business plans, funding obtained	1	Business plan submitted	Resource Mobilisation	Funding obtained	Project implementation
Expanded public works programme	Create employment opportunities for vulnerable groups through labour intensive projects	Promotion of Ntshembe as a tourism destination of choice and development of tourism products	2.0%	1	Increase in the number of tourists and visitors descending in the area	2	0	1	0	1
		Ensure that 4 projects implemented EPWP Guidelines	2.0%	200 jobs created	Project progress reports	All 4 Projects complete	50 jobs created	60 jobs created	50 jobs created	40 jobs created
Promote SME development	To improve the skill levels of SME's in procurement processes	2 Meetings with SME's throughout Ntshembe	2.0%	0	Attendance Register	2	0	1	0	1
Municipal Financial Viability & Management (KPA Weight: 20%)										
	Objective	Indicator	Weight (%)	Baseline	Evidence	Target	Targets (30 June) 2014/2015			
							Q1	Q2	Q3	Q4
							1	2	3	4
							scores			
							1	2	3	4
Revenue Collection	Ntshembe is able to raise sufficient revenue (internal and external sources) and manage the assets to meet their responsibilities in terms of service delivery incorporating both capital and operational costs	Percentage of all conditional grant funds spent for 2014/15	1%	100%	proof of payment schedules and DORA Reports	100%	40%	60%	70%	100%
		Additional Staff for Credit Control are equipt with the necessary tools of trade to conduct their daily work	1%	4	Invoices for new suppliers and new monthly management reports	5	0	1	0	0
		Daily Uninterrupted Electricity Sales Service	1%	2	Payment vouchers / Other forms	3	1	0	0	0
		Access to a dedicated Desktop	1%	0	Payment vouchers / Other forms	2	1	1	0	0
		Daily Generation of Electricity Copouira	1%	3	Payment vouchers / Other forms	4	0	0	1	0
		Daily Cash recycling	1%	3	Payment vouchers / Other forms	4	0	0	1	0
		Elimination of bank returned notes	1%	3	Payment vouchers / Other forms	5	0	0	2	0
		Improved working Conditions	1%	1	Payment vouchers / Other forms	1	0	1	0	0
		Reduced number of check readings	1%	6	Payment vouchers / Other forms	6 agreed	0	0	6	0
		Decrease overtime by half	2%	3600000/year	Financial Monthly Reports	Reduce overtime by half	50%	50%	50%	50%
Internal Audit	Review and implement Audit Charter	Audit Charter reviewed and implemented	1%	One institutional Audit charter	Audit Charter	internal Audit Charter that is informed by King III report	1	Nil	Nil	Nil
		Annual reviewed internal Audit Plan	1%	Annual institutional internal Audit Plan	Internal Audit plan for the period ending June 2015	Updated internal audit plan (2014/15)	Updated internal audit plan (2014/15)	Nil	Nil	Nil
Municipal Risk	Reviews of Municipal Risk Management Policy	Risk Management Policy reviewed and implemented	1%	Policy on risk management	Adopted risk management policy	Adopted risk management policy	Implementation of the policy	Implementation of the policy	Implementation of the policy	Implementation of the policy





# Good Governance & Public Participation (KPA Weight: 9%)

Priority Area	Objective	Indicator	Weight (%)	Baseline	Evidence	Target	Q1	Q2	Q3	Q4	Responsible Manager	scores
Well functioning Council	Establish a well functioning Council system that contributes to good governance in terms of transparency, accountability, good working relationships and implementation of resolutions	80% increase in number of Council resolutions successfully implemented	0.5%	80%	resolution matrix and checklist	100%	Resolution matrix formulated and populate Coordinate submission of reports by Depts	Update resolution matrix Monitor and report on submission of reports	Implement Monitor	Implement Monitor review effectiveness	MM & ALL Directors	1 2 3 4 5
		Inform and educate the public about what is taking place within the institution through the development of a newsletter that the public will receive and comment on on a quarterly basis	0.5%	4 newsletters	4 newsletters	4 newsletters	1 newsletter	1 newsletter	1 newsletter	1 newsletter	MM	
Communications	Enhance internal and external communications	Radio slots held to give notice to the community and any relevant information	1.0%	80 radio slots	Reports on weekly slots	80 radio slots	20 radio slots	20 radio slots	20 radio slots	20 radio slots	MM	
		Press media briefings	1.0%	4 media briefings	attendance registers	4 media briefings	1	1	1	1	MM	
Public participation/consultation	All communities are well informed regarding the work of the municipality and participate constructively in relevant dialogue	Percentage stakeholder engagement meetings arranged and attended ward committee and councillors quarterly	1.0%	80%	attendance registers	100%	100%	100%	100%	100%	MM and Director Corporate Services	
		Improve communication of the Budget/OP process through relevant advertisements and loud hailing within legislative framework	1.0%	1 advert and 10 wards words loud hailing	Advertisements copies and forwarded for loud hailing casual	4 advertisement 10 wards loud hailing	1 advert	0	1 advert	1 advert and 10 wards loud hailing		
		Arrange for acceptance of petition by Speaker	1.0%	2	Signed petition	As need arise	100%	100%	100%	100%	MM	
		Attend to the Presidential hotline and Public Protector disputes or public concerns	1.0%		Responses to the letters	As need arise	100%	100%	100%	100%	MM	
		Attend to Provincial legislative visits (EXCO)	1.0%	1	Attendance Register	As need arise	100%	100%	100%	100%	MM	
	Ensure good GR in the Municipality	Scan the environment to establish service delivery violence and proactively attend to delivery violence	1.0%	0	Survey report on evidence of service delivery violence	30	0	10	10	10	MM	

# ANNEXURE B




## ORGANISATIONAL STRUCTURE



# **NDLAMBE MUNICIPALITY**

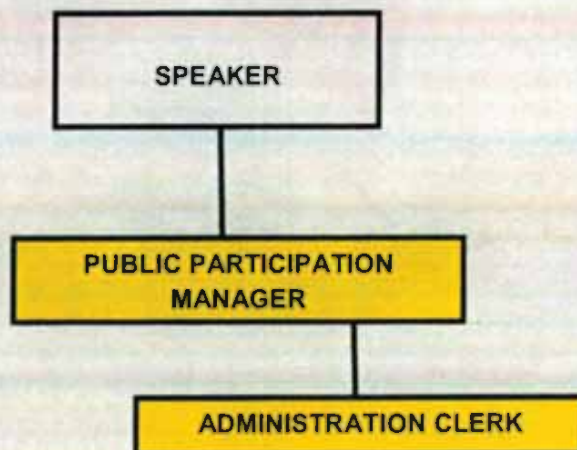


**2<sup>ND</sup> DRAFT INTEGRATED DEVELOPMENT PLAN**  
**2013/2014 REVIEW**

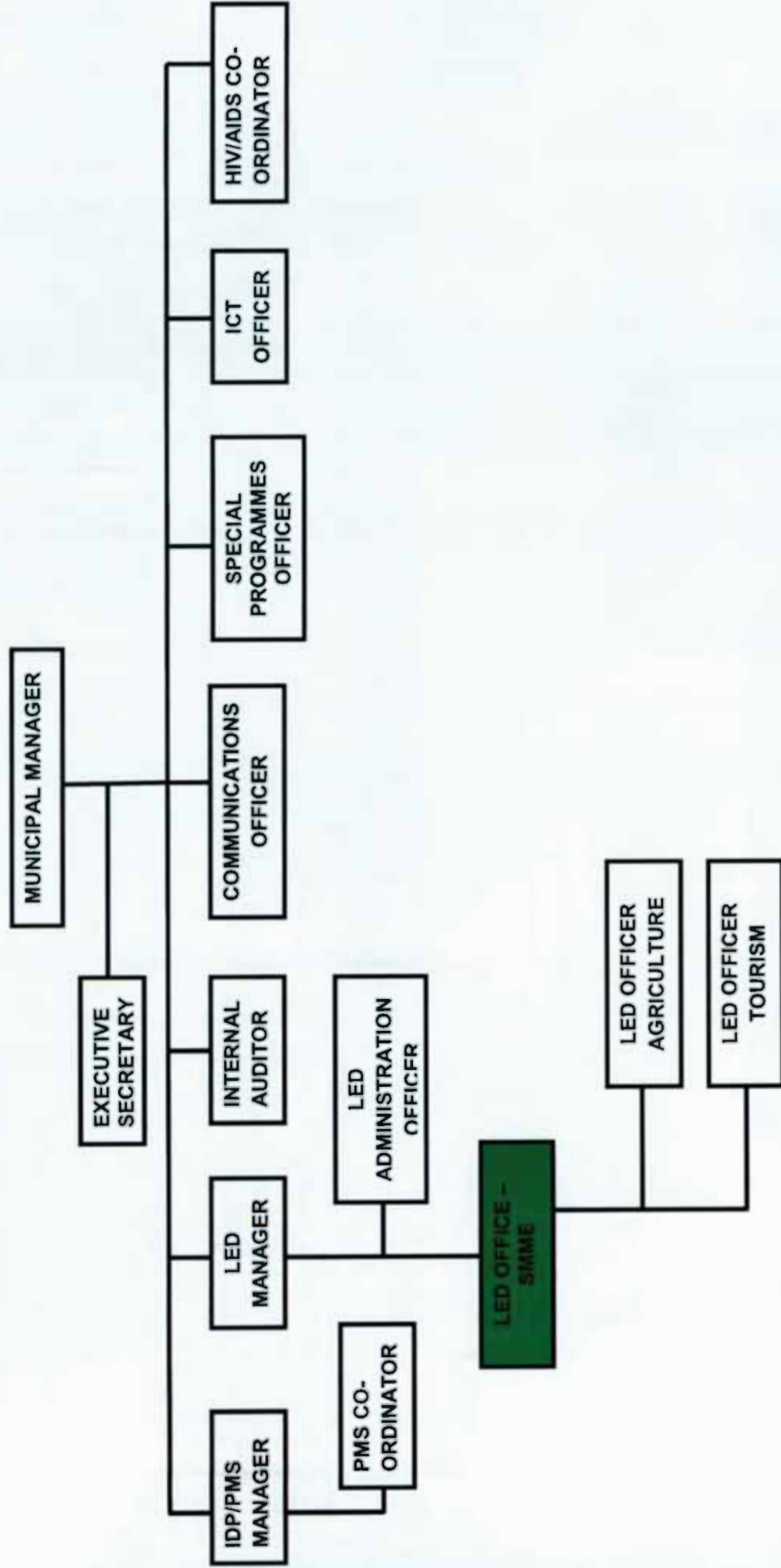
-  Proposed post
-  Vacant Post
-  Unfunded Post

**PA** – Port Alfred  
**KOS** – Kenton on Sea  
**BRM** – Bushmans river mouth  
**Alex** - Alexandria

**Office of the Speaker**

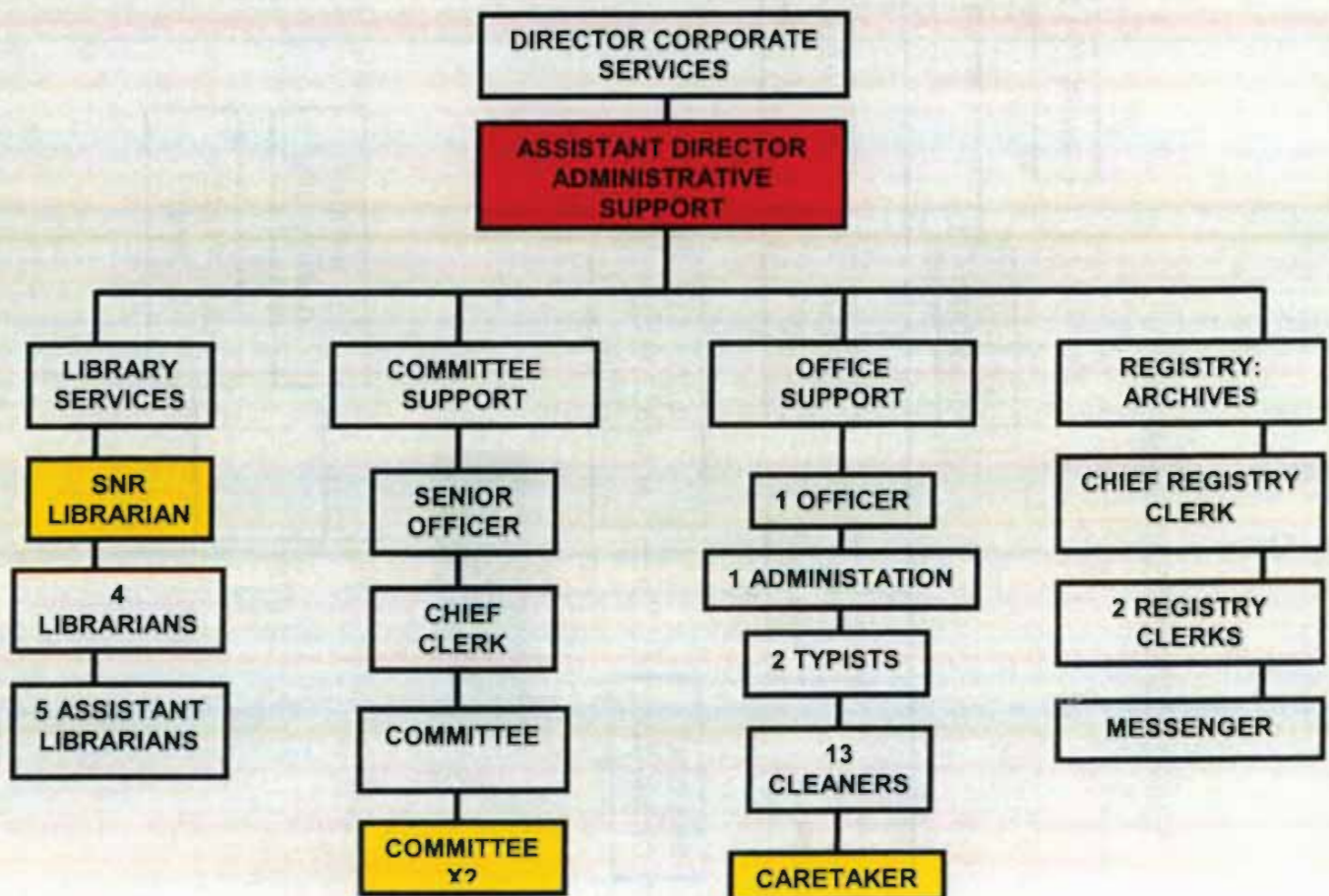
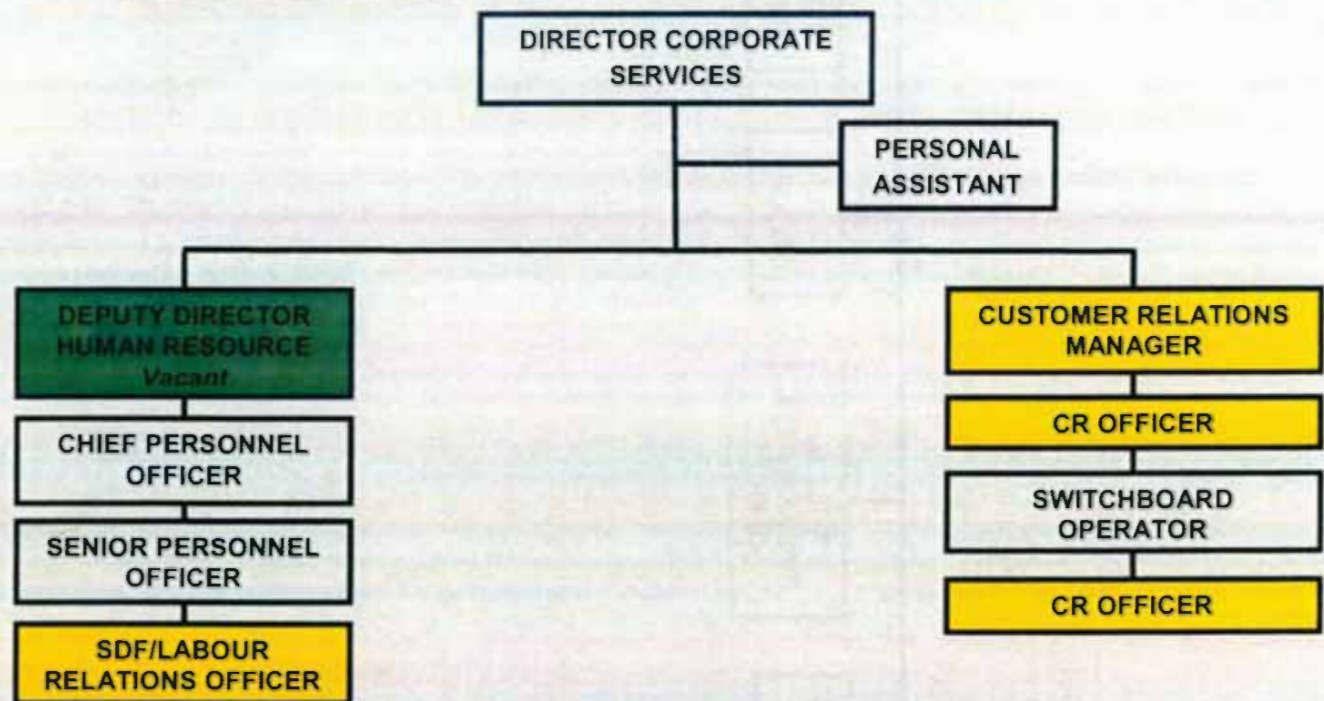


Office of the Municipal Manager

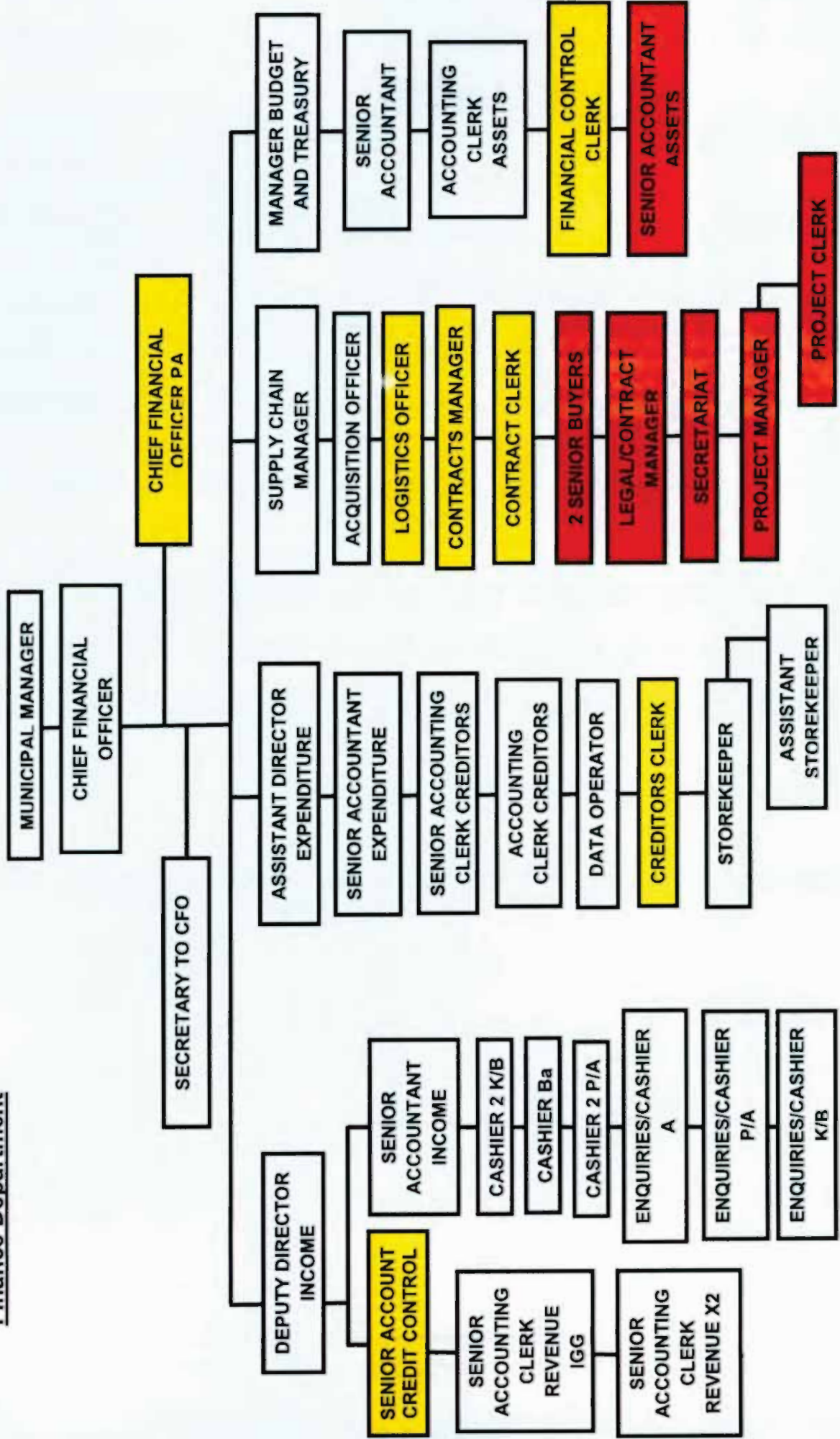




## Corporate Services

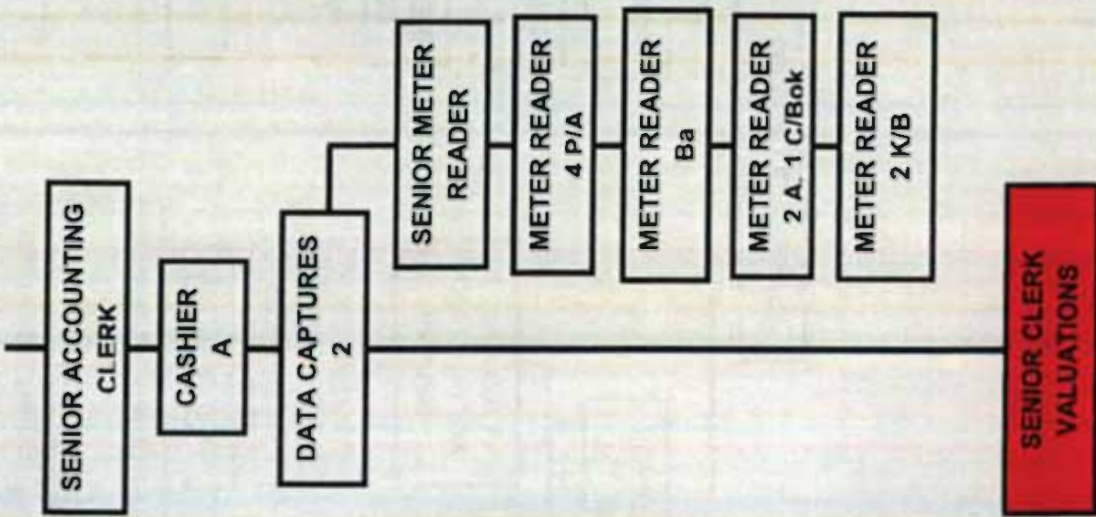


# Finance Department



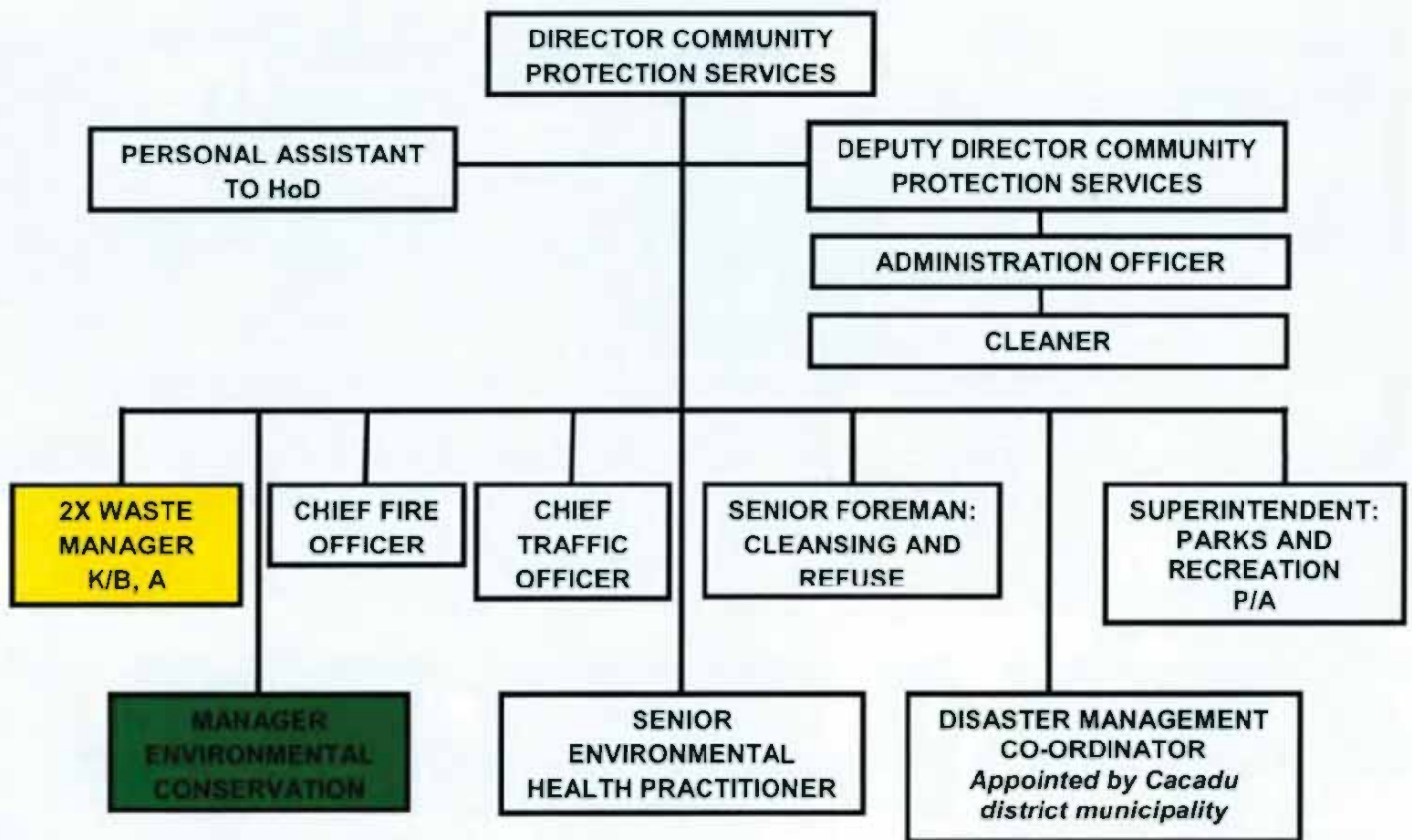


(CONTINUATION FROM SENIOR  
ACCOUNTANT INCOME)

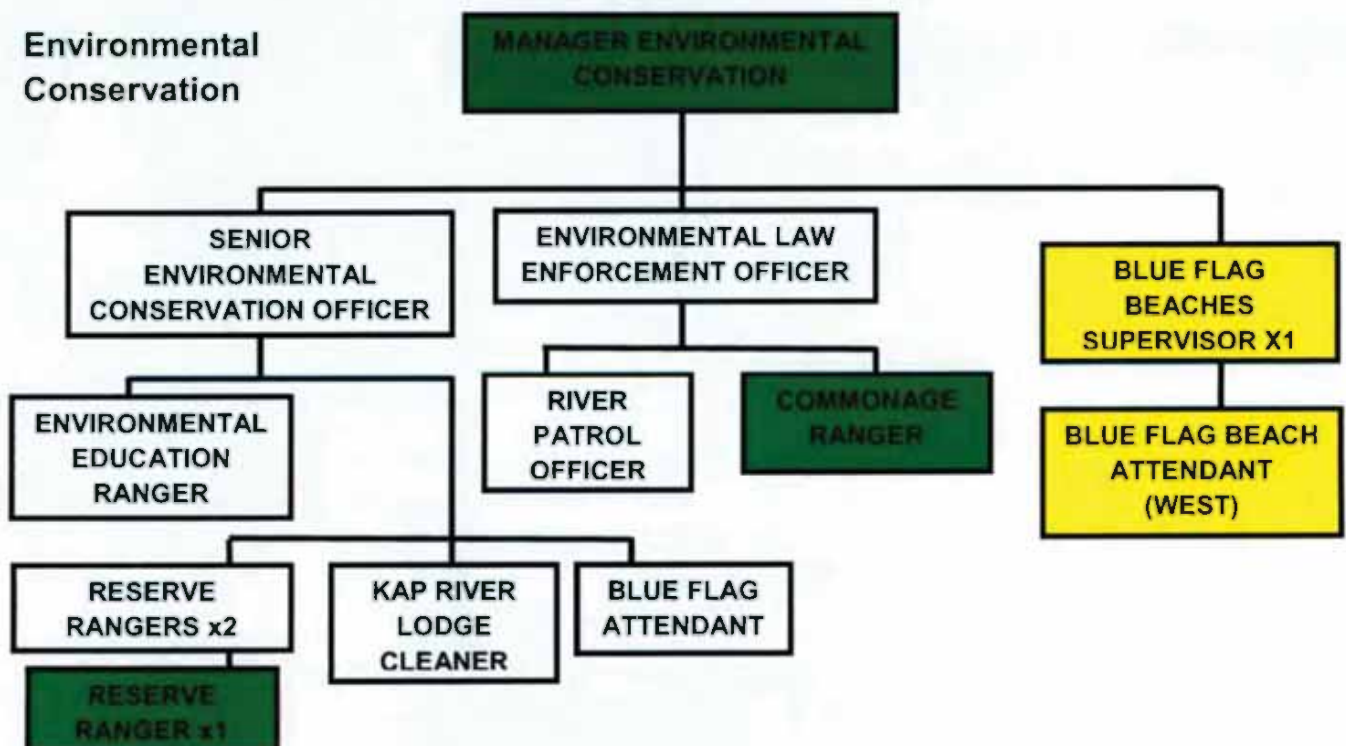




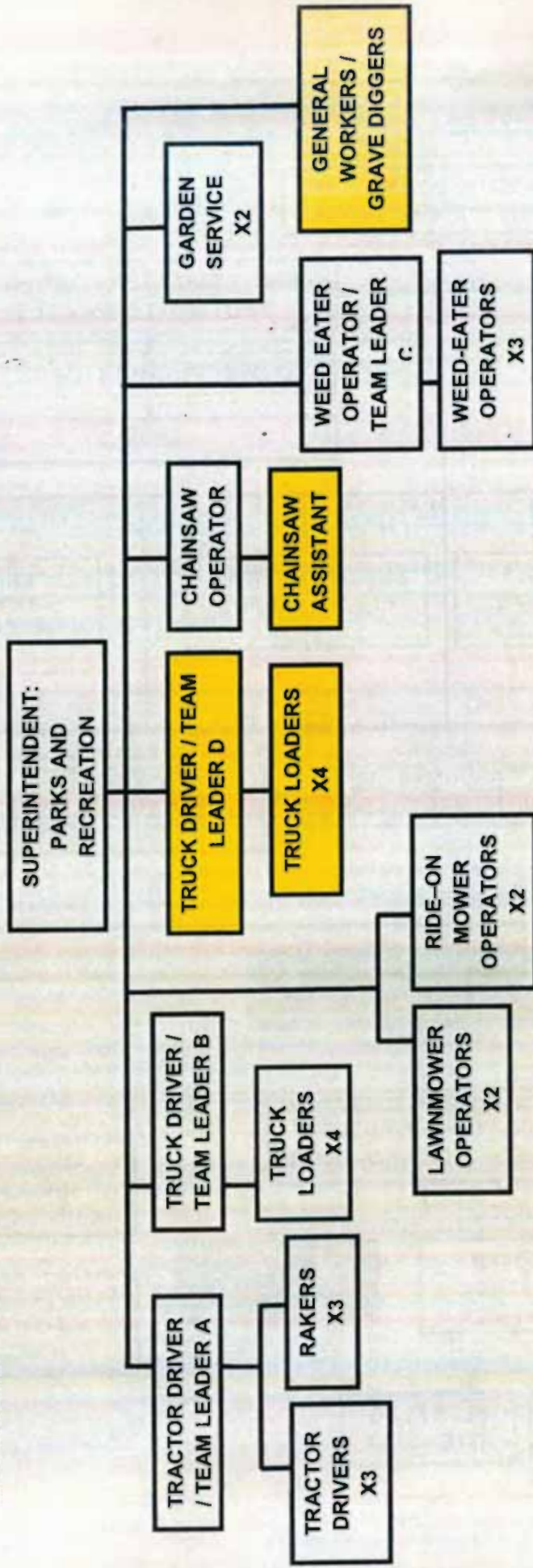
## Community Protection services



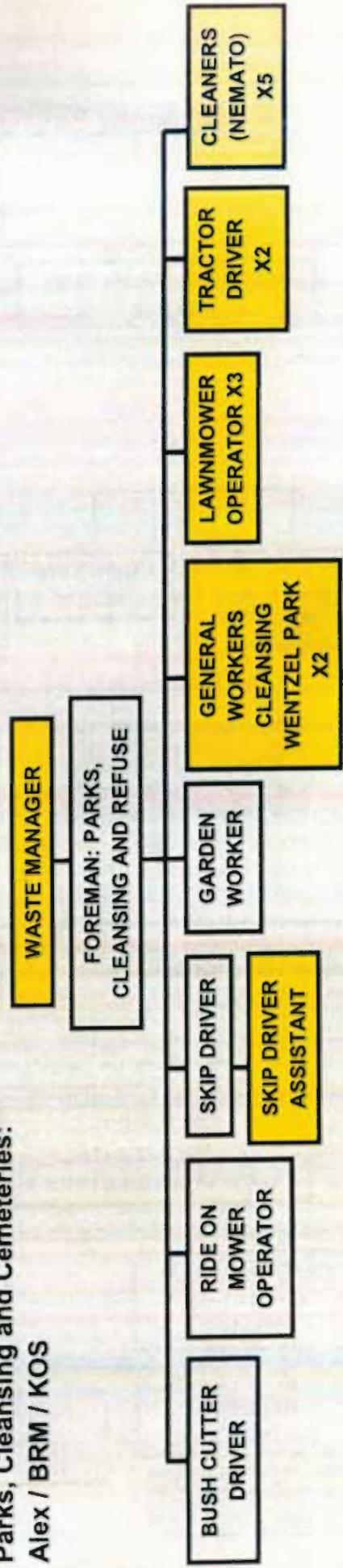
## Environmental Conservation



# Parks, Gardens and Cemeteries: Port Alfred

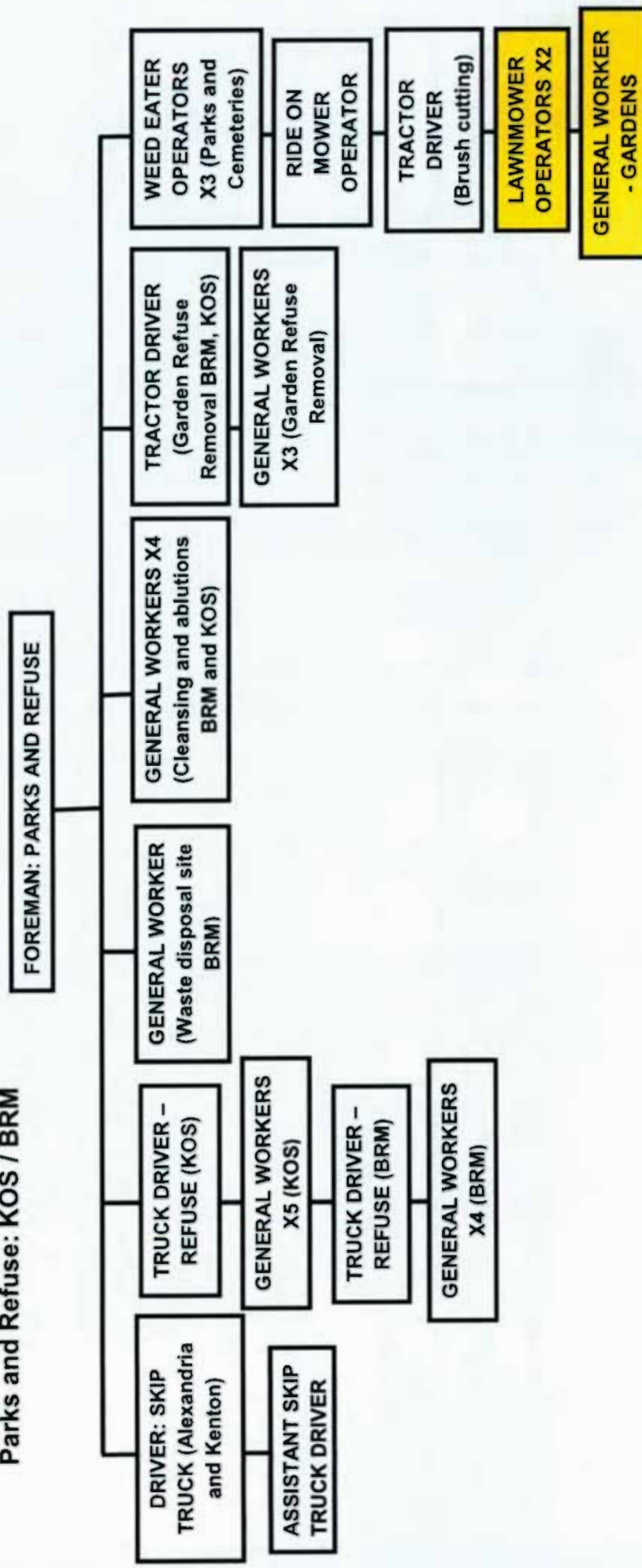


# Parks, Cleansing and Cemeteries: Alex / BRM / KOS





## Parks and Refuse: KOS / BRM

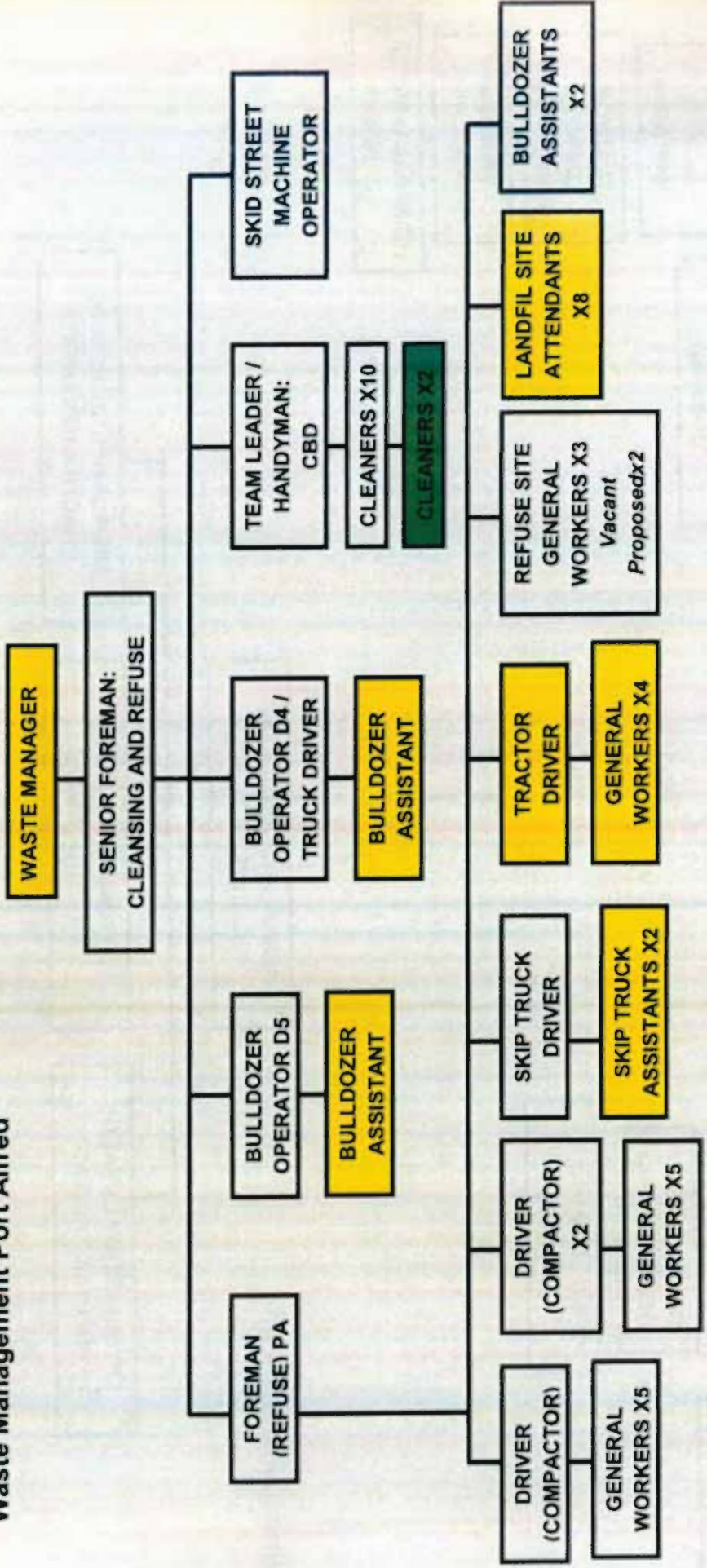


## Environmental Health

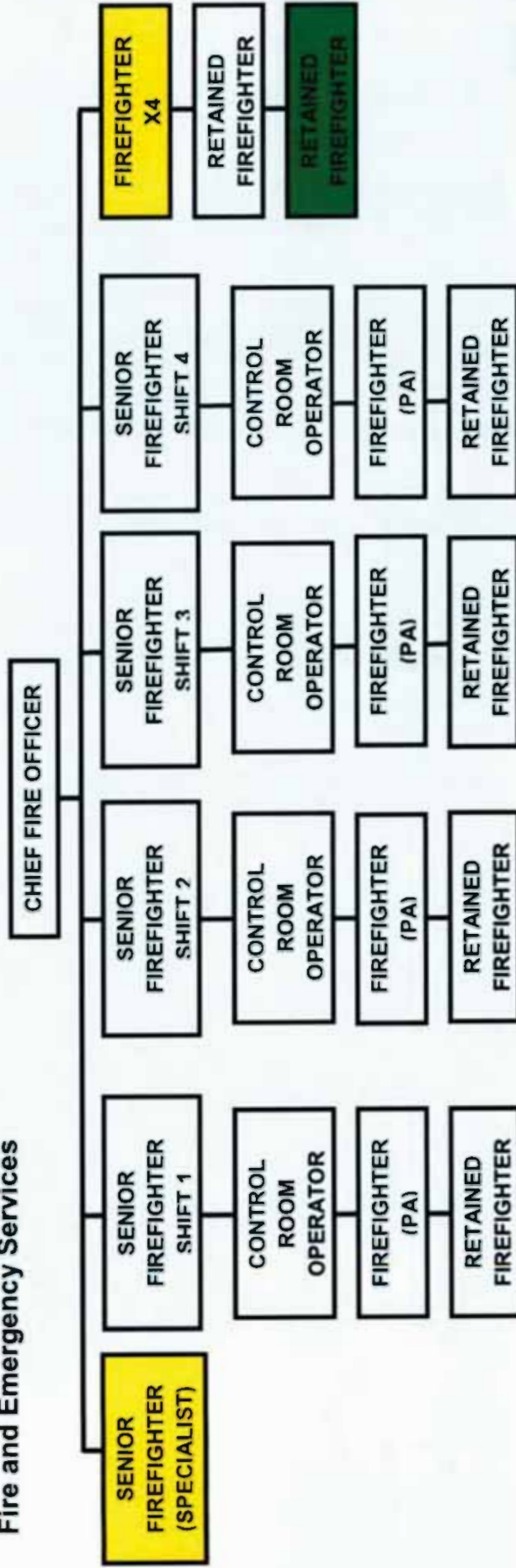




Waste Management Port Alfred

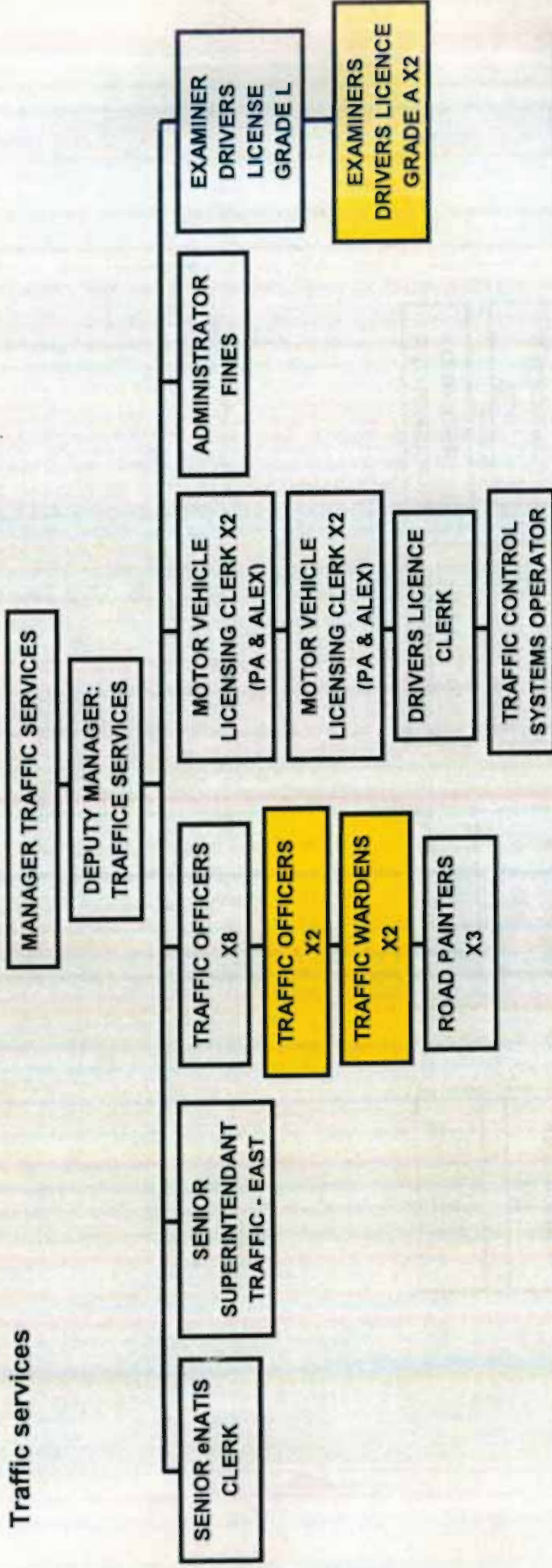


## Fire and Emergency Services



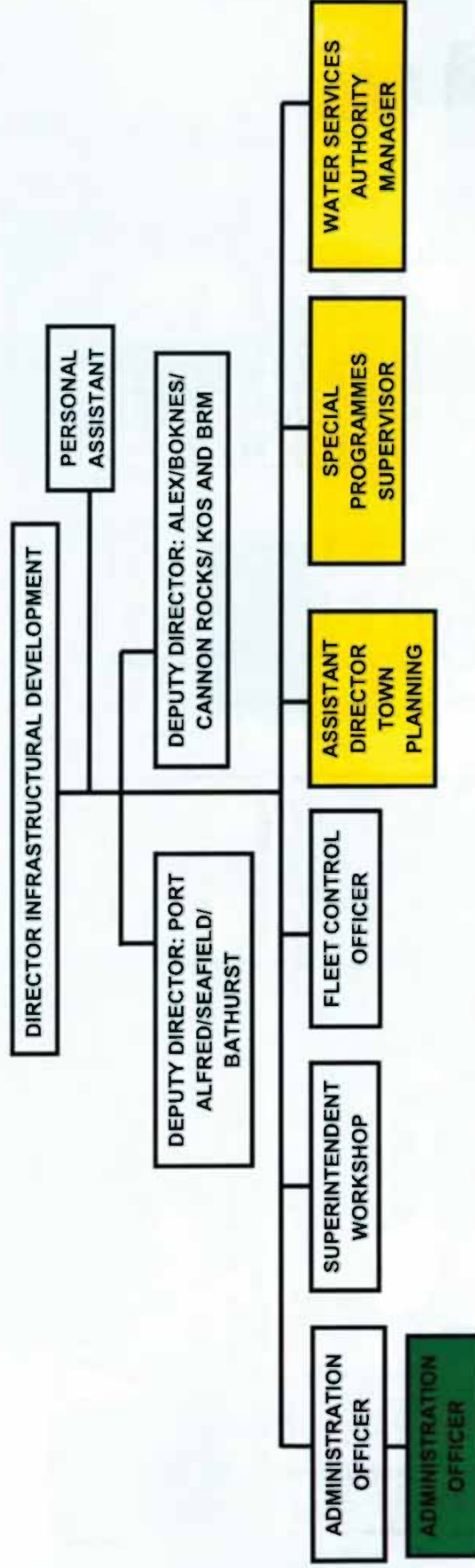


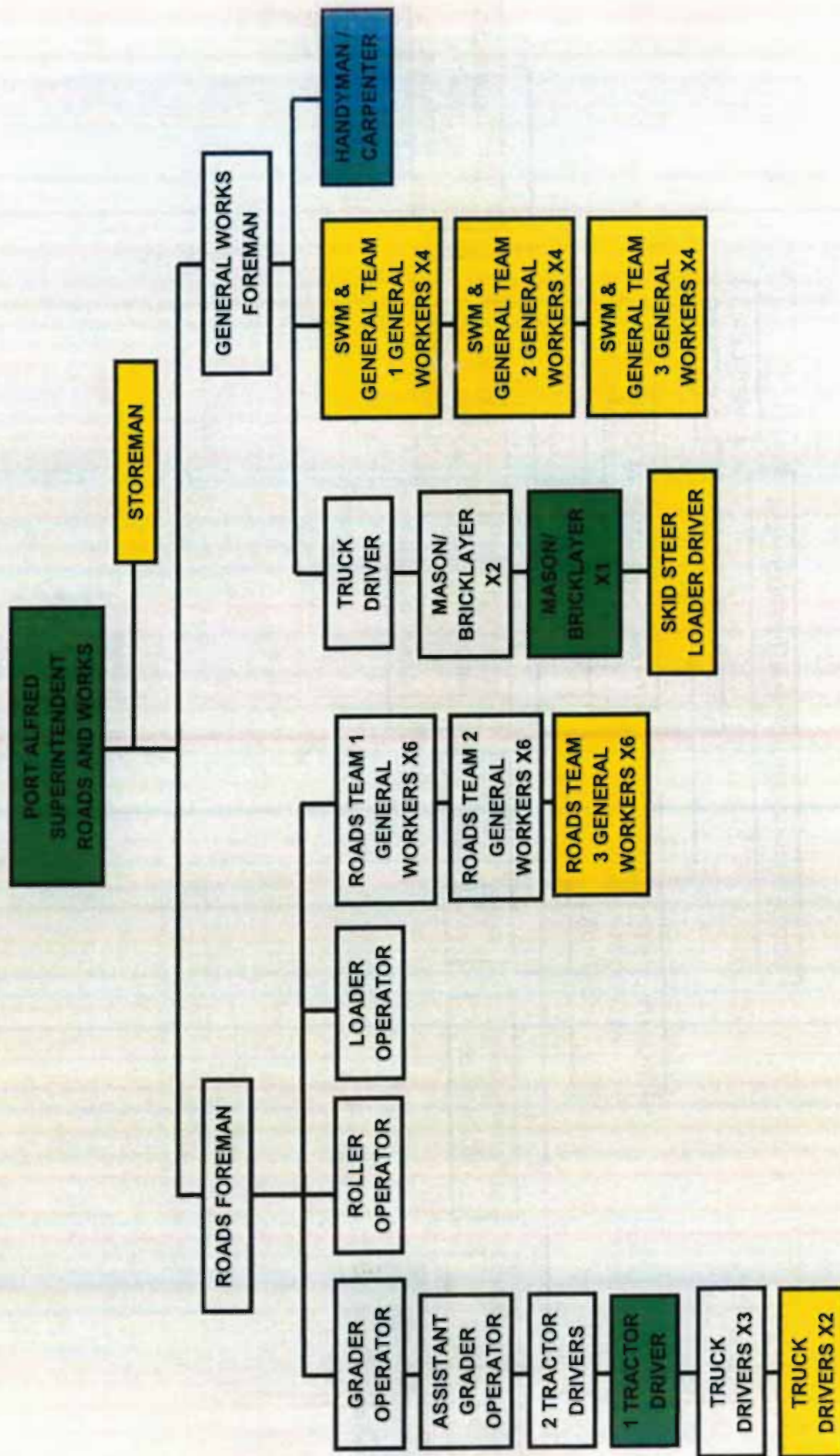
# Traffic services



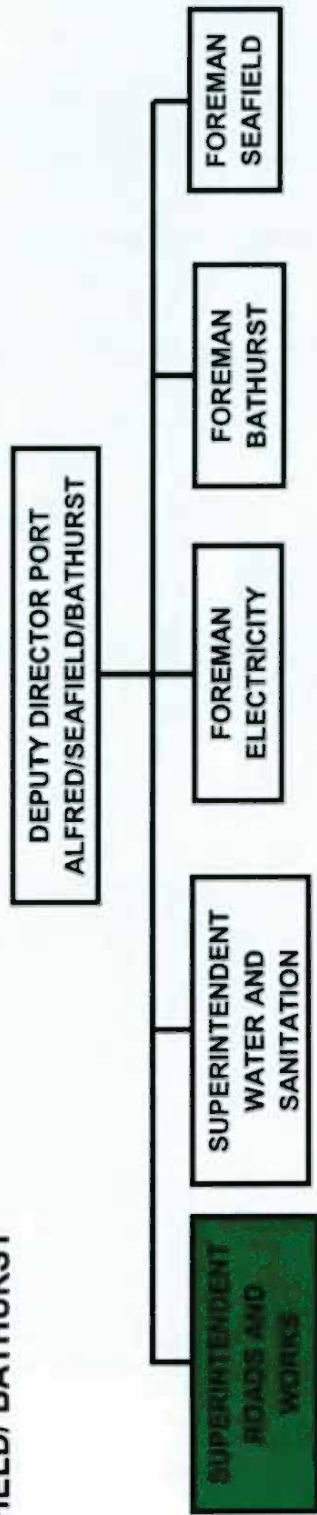


## Infrastructural development

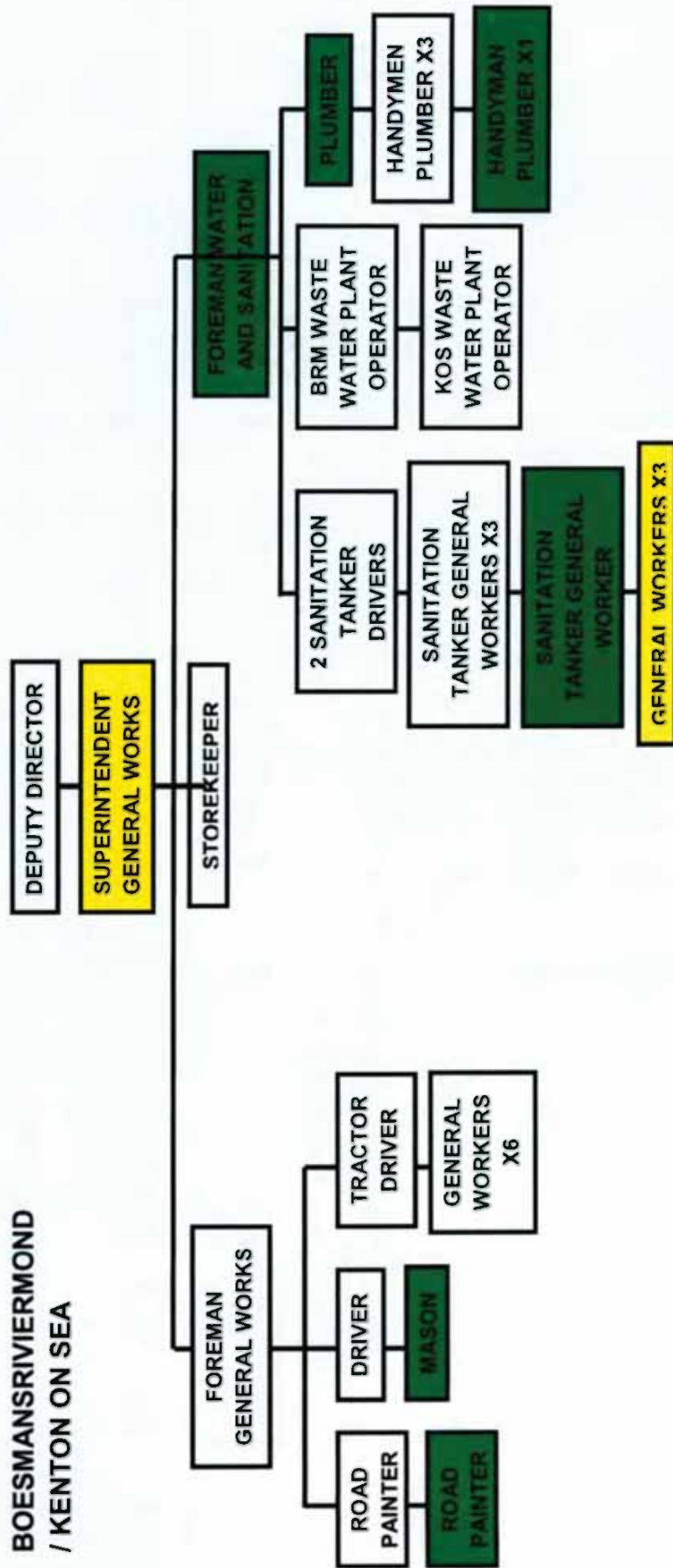




# PORT ALFRED/ SEAFIELD/ BATHURST

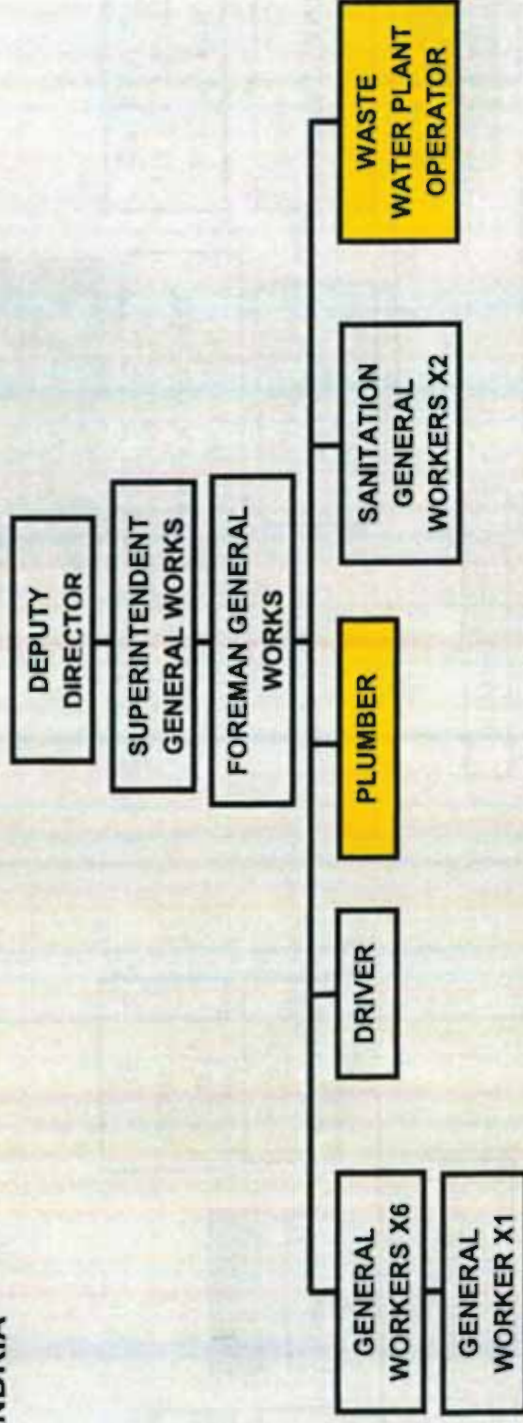


# BOESMANSRIVIERMOND / KENTON ON SEA

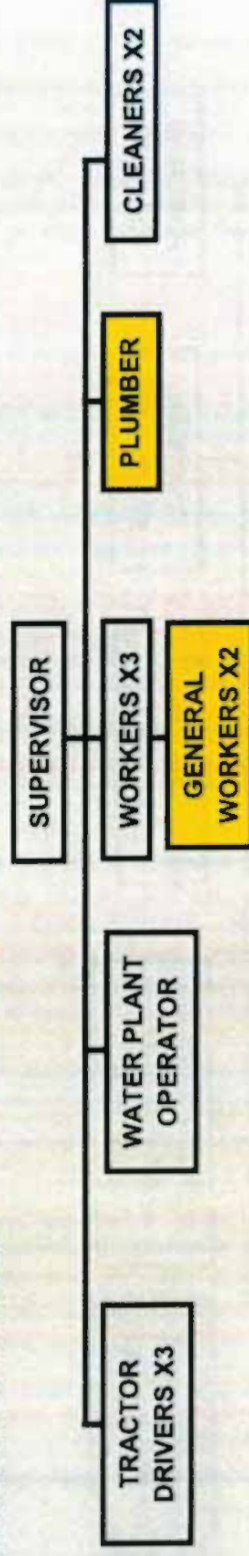




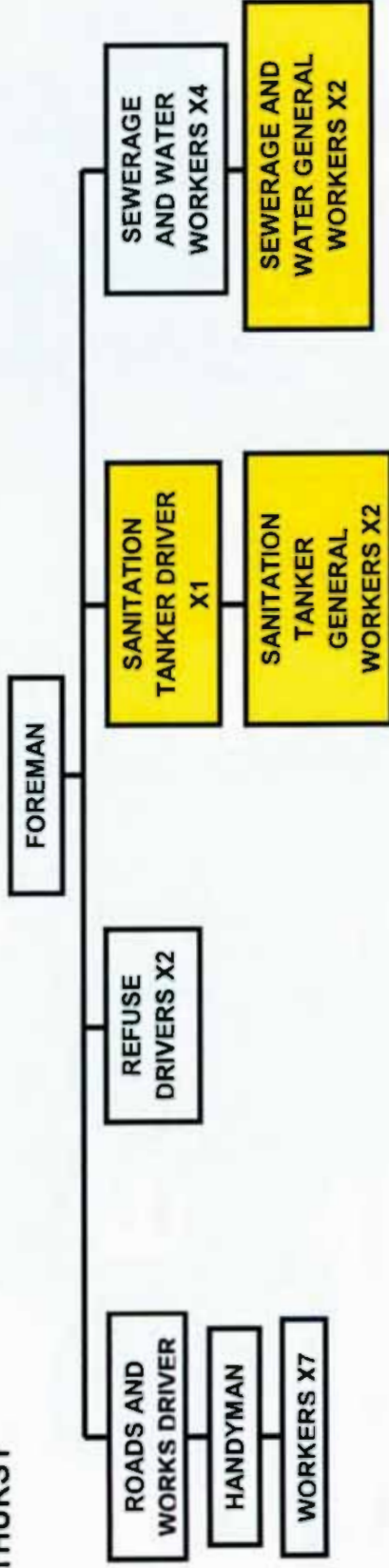
## ALEXANDRIA



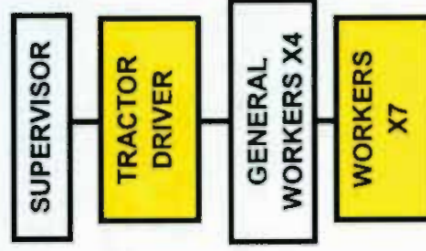
## BOKNES/CANNON ROCKS

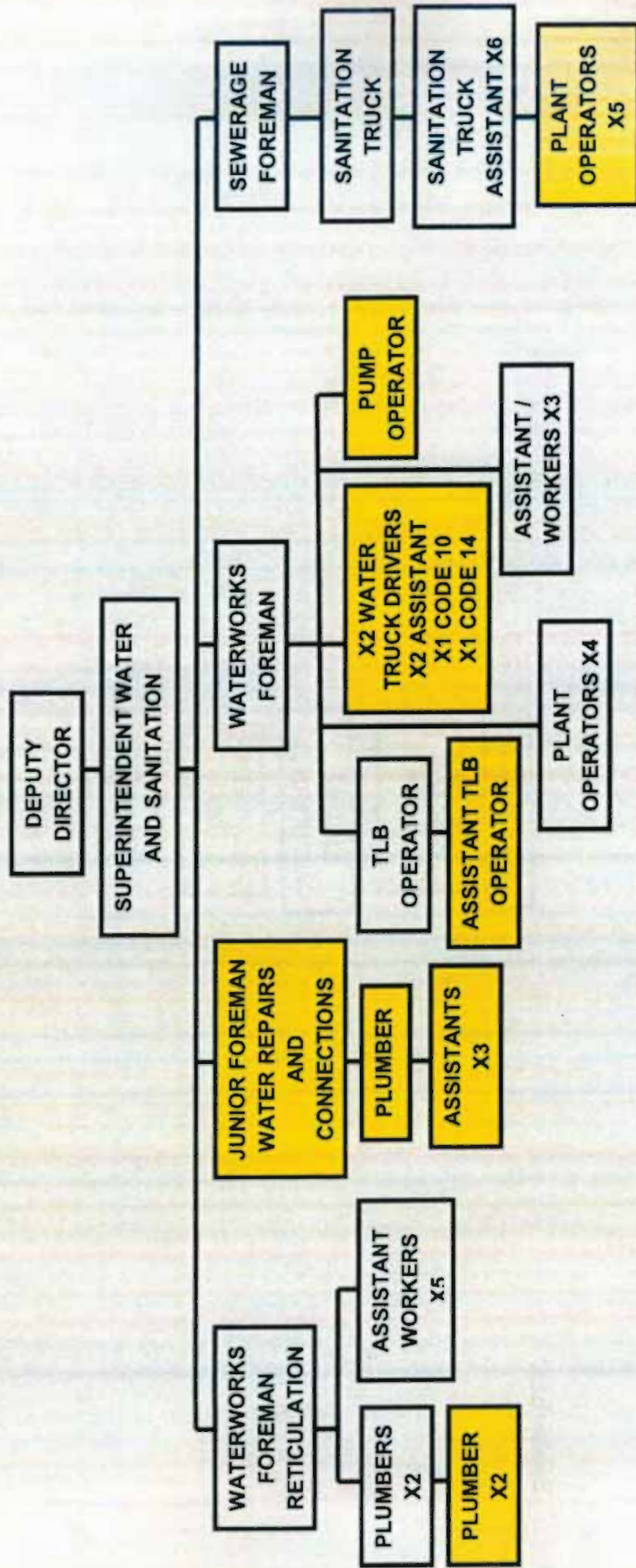


## BATHURST

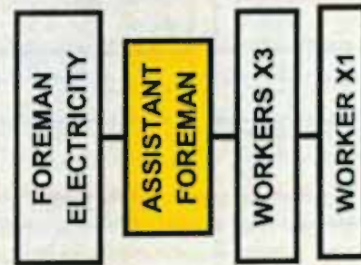


## SEAFIELD



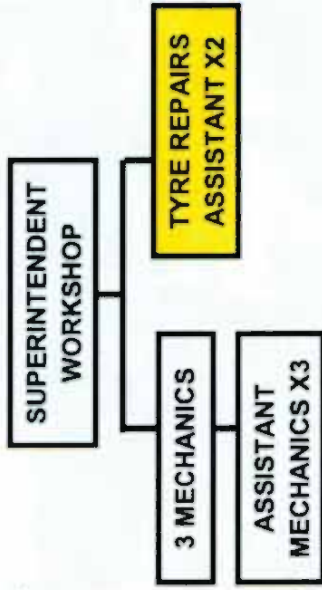


## ELECTRICITY

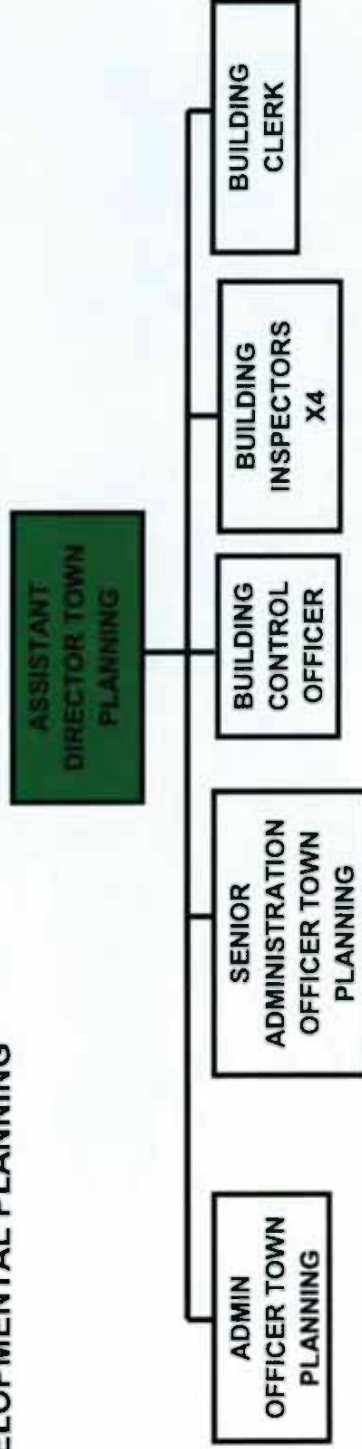


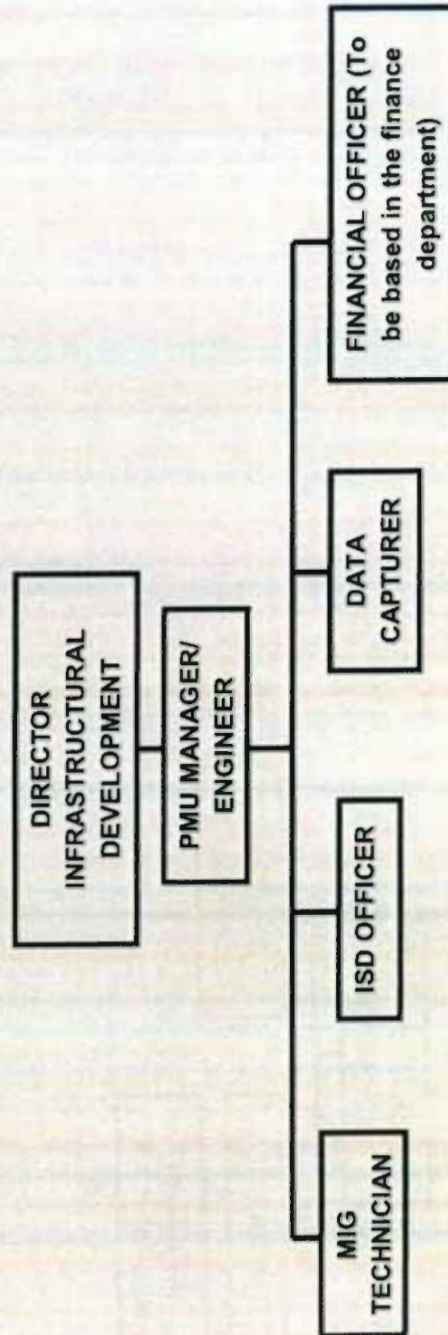
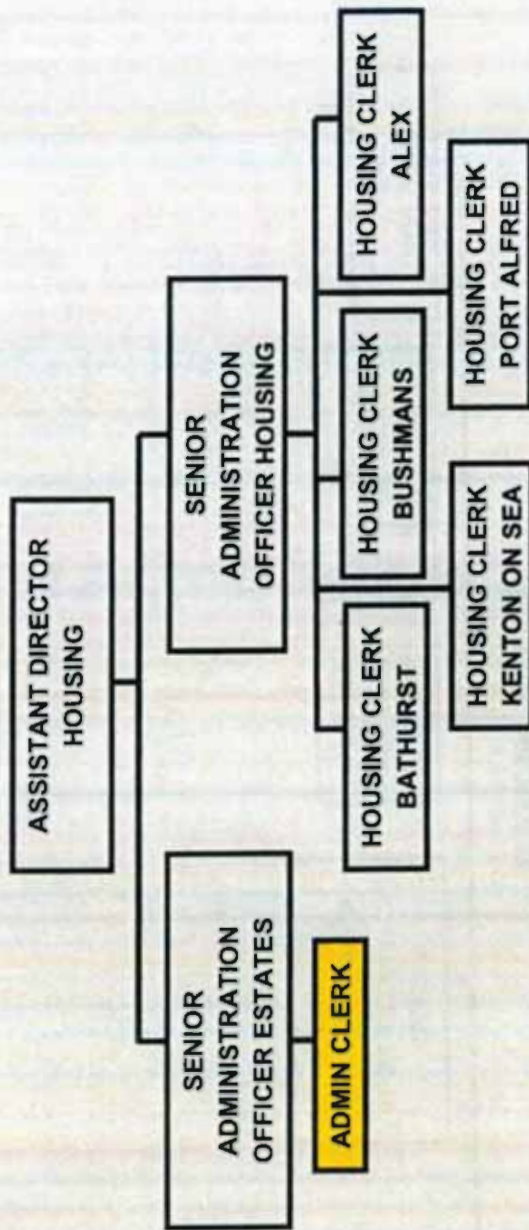


## WORKSHOP



## DEVELOPMENTAL PLANNING





# ANNEXURE C

AUDITOR GENERAL AUDIT FINDINGS 2013/2014





# **Ndlambe Municipality**

## **Audit Report**

For the year ended 30 June 2014

**REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL  
LEGISLATURE AND THE COUNCIL ON THE NDLAMBE LOCAL MUNICIPALITY  
REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I was engaged to audit the financial statements of the Ndlambe Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net asset, cash flow and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

**Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2013 (Act No. 2 of 2013) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor-general's responsibility**

3. My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

**Basis for disclaimer of opinion**

**Property, plant and equipment**

4. Sufficient appropriate audit evidence was not available to support property, plant and equipment (PPE) presented in the statement of financial position and disclosed in note 9 to the financial statements, due to the following:
  - The fixed asset register did not agree to the general ledger.
  - The valuation of assets could not be confirmed due to the incomplete information included in the fixed asset register.
  - No audit evidence was provided to support the material unexplained difference identified between the general ledger, fixed asset register and annual financial statements.
5. I was unable to confirm the PPE by alternative means and, consequently, could not determine whether any adjustments were necessary to the PPE of R682,3 million as disclosed in note 9 to the financial statements.
6. In addition, the municipality did not recognise assets that meet the definition of property plant and equipment, contrary to the requirements of GRAP 17 *Property, plant and equipment*. As a result, property plant and equipment presented in the statement of financial position and disclosed in note 9 to the financial statements and the accumulated surplus were understated by R37,3 million.



7. Furthermore, depreciation of PPE was not calculated correctly in terms of the requirements of GRAP 17 *Property, plant and equipment*, thus resulting in the depreciation expense being overstated in the statement of financial performance and the carrying value of PPE as presented in the statement of financial position and disclosed in note 9 to the financial statements being overstated by R1,8 million.

#### **Accumulated surplus**

8. Sufficient appropriate audit evidence was not available to support the accumulated surplus as presented in the statement of changes in net assets. Supporting documentation was not submitted for audit purposes for the differences identified between the accumulated surplus disclosed in note 44 to the financial statements and the face of the statement of changes in net assets. I was unable to confirm the accumulated surplus by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the accumulated surplus of R627,4 million (2013: R615 million) as presented in the financial statements.

#### **Unauthorised expenditure**

9. Sufficient appropriate audit evidence was not available to support unauthorised expenditure disclosed in note 40 to the financial statements. Supporting schedules were not submitted for audit purposes and the statement of comparison of budget and actual amounts did not agree to disclosure note 40 on unauthorised expenditure. I was unable to confirm the unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the unauthorised expenditure of R62,3 million (2013: R62,5 million) as disclosed in note 40 to the financial statements.

#### **Irregular expenditure**

10. The municipality did not have adequate systems to identify and disclose all irregular expenditure incurred during the year, as required by section 125(2)(d)(ii) of the MFMA. The irregular expenditure disclosed in note 41 to the financial statements was understated in respect of amounts incurred and identified during the audit process of R14,9 million (2013: R100,3million). Due to the lack of systems, it was impracticable to determine the full extent of the understatement of irregular expenditure disclosed at R18,7 million (2013: 16,2 million) in note 41 to the financial statements.

#### **Employee benefit obligation**

11. Sufficient appropriate audit evidence was not available to support the retirement benefit obligation presented in the statement of financial position and disclosed in note 18 to the financial statements. Key assumptions included in the actuarial valuation could not be verified against supporting documentation. I was unable to confirm the retirement benefit obligation by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the retirement benefit obligation of R55,6 million as disclosed in note 18 to the financial statements.

#### **Provision**

12. The municipality did not recognise the provision for landfill site rehabilitation, as required by GRAP 19 *Provisions, contingent liabilities and contingent assets*, and did not measure the provisions at the best estimate of the expenditure required to settle the present obligation at the reporting date, as required by the standard. As a result, the provisions presented in the statement of financial position and the property plant and equipment presented in the statement of financial position were both understated by R47,7 million.



13. GRAP 1 *Presentation of financial statements* requires an entity to present current and non-current assets, and current and non-current liabilities, as separate classifications on the face of its statement of financial position. The municipality did not separately present the current and non-current liabilities relating to provisions.

#### **Unspent conditional grants and receipts**

14. Sufficient appropriate audit evidence was not available to support unspent conditional grants and receipts presented in the statement of financial position and disclosed in note 15 to the financial statements. Unspent conditional grants and receipts as disclosed in note 15 do not reconcile to note 23 government grants and subsidies. This was due to weak internal controls over the reconciliation of grants received, which resulted in inadequate grant registers being maintained throughout the year. I was unable to confirm the unspent conditional grants and receipts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the unspent conditional grants and receipts of R35,9 million as presented in the statement of financial position and disclosed in note 15 to the financial statements and the revenue from government grants and subsidies disclosed at R117,9 million in note 23 to the financial statements.

#### **Investment property**

15. Sufficient appropriate audit evidence was not available to support assets recognised as investment property. I was unable to confirm the investment property by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the investment property of R36,5 million as disclosed in note 8 to the financial statements.
16. In addition, the municipality recognised assets that did not meet the definition of investment property as investment property, contrary to the requirements of GRAP 16 *Investment property*. As a result, investment property presented in the statement of financial position and disclosed in note 8 to the financial statements and the accumulated surplus were overstated by R11,7 million.

#### **Payables**

17. Sufficient appropriate audit evidence was not available to support payables presented in the statement of financial position and disclosed in notes 14 and 44 to the financial statements. Supporting documentation either was not submitted for audit purposes or was incomplete. I was unable to confirm payables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the payables balance of R29,6 million (R28 million) as disclosed in note 14 to the financial statements.
18. The municipality did not maintain adequate records of outstanding payments for goods and services received but not yet paid at year-end. The municipality did not recognise all outstanding amounts meeting the definition of a liability as per GRAP 1 *Presentation of financial statements* in the financial statements, resulting in an understatement of trade and other payables as presented in the statement of financial position and disclosed in note 14 to the financial statements as well as expenditure by R19,2 million.

#### **Inventory**

19. Sufficient appropriate audit evidence was not available to support inventory as presented in the statement of financial position and disclosed in note 3 to the financial statements. Supporting documentation in respect of housing transfers either was not submitted for audit purposes or was incomplete. I was unable to confirm the inventory by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the housing inventory of R24,8 million as disclosed in note 3 to the financial statements.



### **Cash flow statement**

20. The recalculated statement of cash flows contained a material variance amounting to R11,2 million (2013: R16,7 million). Sufficient appropriate supporting documentation and calculations were not provided for the identified variance as well for differences identified between the face of the statement of cash flow and other disclosures in the financial statements. Consequently, the amounts disclosed in the cash flow statement did not fairly present the cash inflows and outflows of the municipality for the current and prior period.

### **Prior period restatement disclosure**

21. The municipality restated prior year financial line items to correct errors discovered in the current year. The municipality did not disclose all the restatements to corresponding figures as per GRAP 3 – *Accounting policies, Changes in accounting estimates and errors*. GRAP 3 requires the adjustment to be disclosed for each financial statement line item that is restated for the current and prior period. The following adjustments should have been included:
- Cash and cash equivalents was restated by R5,5
  - Unspent conditional grants and receipts were restated by R29 million
22. Consequently, the financial statements did not achieve fair presentation as the information presented was not comparable.

### **General expenditure**

23. The municipality did not maintain adequate records of expenditure incurred in respect of goods received and services rendered during the year. The municipality did not recognise receipts of goods and services that meet the definition of an expense as per GRAP 1 *Presentation of financial statements* in the financial statements, resulting in an understatement of general expenditure as presented in the statement of financial performance and disclosed in note 34 to the financial statements as well as payables presented in the statement of financial position and disclosed in note 14 by R4,1 million.

### **Interest received – investment**

24. The municipality did not measure revenue from interest income at the fair value of the consideration received or receivable, as required by GRAP 9 *Revenue from exchange transactions*, and did not calculate interest accurately. Interest received presented in the statement of financial performance was understated by R4 million, while receivables from exchange transactions as presented in the statement of financial position were understated by the same amount.

### **Contingencies**

25. Sufficient appropriate audit evidence was not available to support contingencies as disclosed in note 37 to the financial statements. Management has further not made an assessment of the probability of the outflow and inflow of economic benefits or service potential relating to the contingent liabilities respectively or maintained records relating to claims from third parties. I was unable to confirm the contingent liabilities and assets by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to contingent liabilities and assets by alternative means as disclosed in note 37 to the financial statements.
26. Further, the municipality did not disclose all items meeting the definition of a contingent liability as per GRAP 19 - *Provisions, contingent liabilities and contingent assets*. Consequently, the disclosure for contingent liabilities is understated.

#### **Aggregated misstatements in current year figures**

27. The financial statements as a whole were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the following elements making up the statement of financial position, statement of financial performance and disclosures:
- Commitments were understated by R2,4 million.
  - Personnel was overstated by R2,3 million (2013: R1,26 million).
  - Property rates were overstated by R2,1 million.
  - Receivables from exchange transactions were understated by R2 million (2013: R0,97 million).
  - Receivables from non-exchange transactions were overstated by R2,1 million.
  - Debt impairment was overstated by R0,95 million.
  - Government grants and subsidies were understated by R0,65 million.
  - Financial liabilities were understated by R0,5 million.
  - Fruitless and wasteful expenditure was understated by R0,2 million.
28. In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm the following by alternative means:
- Licences and permits of R3,5 million as presented in the statement of financial performance.
  - Cash and cash equivalents of R21,3 million as presented in the statement of financial position.
  - The VAT payable of R2,8 million as presented in the statement of financial position.
29. Consequently, I was unable to determine whether any adjustments to these items were necessary.

#### **Corresponding figures**

30. During the 2012-13 year, my report on the financial statements for the year ended 30 June 2013 was modified in respect of the following matters.

#### **Commitments**

31. The municipality did not have an adequate and complete contract management system to identify and recognise contracted commitments, and did not disclose commitments as per GRAP 17 *Property, plant and equipment*. The comparative disclosure for commitments was understated by R2,7 million.
32. Sufficient appropriate audit evidence was not available to support commitments as disclosed in note 36 to the financial statements. Supporting documentation either was not submitted for audit purposes or was incomplete. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the commitments as disclosed in note 36 to the financial statements.



#### **Aggregated misstatements in corresponding figures**

33. The financial statements as a whole were materially misstated due to the cumulative effect of numerous individually immaterial uncorrected misstatements in the elements making up the statement of financial position and the statement of financial performance. I was unable to obtain sufficient appropriate audit evidence and to confirm the following by alternative means:
- Personnel of R80,9 million as presented in the statement of financial performance and disclosed in note 25 to the financial statements.
  - Receivables from exchange transactions of R26,6 million as presented in the statement of financial position and disclosed in note 5 to the financial statements.
  - Receivables from non-exchange transactions of R6,8 million as presented in the statement of financial position and disclosed in note 4 to the financial statements.
34. As a result, I was unable to determine whether any adjustments to these corresponding elements were necessary. My audit opinion on the financial statements for the period ended 30 June 2013 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

#### **Disclaimer of opinion**

35. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

#### **Emphasis of matters**

36. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### **Impairments**

37. As disclosed in note 27 to the financial statements, impairments of R15,5 million were incurred as a result of the write-off of irrecoverable trade debtors.

#### **Material losses**

38. As disclosed in note 48 to the financial statements, water losses of R9,4 million (27,62%) and electricity losses of R4,8 million (15,57%) were incurred as a result of water and electricity reticulation losses.

#### **Irregular expenditure**

39. As disclosed in note 41 to the financial statements, irregular expenditure of R2,5 million was incurred by the municipality during the year ended 30 June 2014. This was as a result of non-compliance with procurement requirements.

#### **Unauthorised expenditure**

40. As disclosed in note 40 to the financial statements, unauthorised expenditure of R62,3 million was incurred by the municipality during the year ended 30 June 2014. This was as a result of expenditure not budgeted for and expenditure in excess of the budget.

#### **Restatement of corresponding figures**

41. As disclosed in note 44 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of errors discovered during 2014 in the financial statements of the municipality at, and for the year ended, 30 June 2013.

#### **Additional matter**

42. I draw attention to the matter below. My opinion is not modified in respect of this matter.

#### **Withdrawal from engagement**

43. Due to the numerous limitations and disagreement misstatements identified in the financial statements, I am unable to rule out the possibility of fraud, which calls into question the reliability of the evidence obtained and the authenticity of the accounting records and documentation. But for the legislated requirement to perform the audit of the municipality, I would have withdrawn from the engagement in terms of the International Standards on Auditing.

#### **Unaudited disclosure notes**

44. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with this legislation. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

45. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

#### **Predetermined objectives**

46. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objective presented in the annual performance report of the municipality for the year ended 30 June 2014:

- Objective: key performance area 1: basic service delivery on pages x to x

47. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

48. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPi).

49. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

50. The material findings in respect of the selected objective are as follows:

#### **Key performance area 1: basic service delivery**

#### **Usefulness of reported performance information**

51. Section 41(c) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) requires the integrated development plan (IDP) to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 46% of the reported objectives, a total of 50% of the reported indicators, and a total of 58% of the reported targets were not consistent with those in the approved IDP. This was due to the lack of a proper



performance management system, which led to reviews, reconciliations and follow-ups not being made by the leadership.

52. Section 54(1)(c) of the MFMA determines that the service delivery and budget implementation plan adopted by the municipal council may be amended only if the council approves an adjustment budget. Changes to the service delivery and budget implementation plan in the year have to be made in accordance with the process as prescribed per section 28 of the MFMA. Material changes were made to the objectives, indicators and targets in the annual performance report, without following the process as prescribed in section 28 of the MFMA and without adoption by the municipal council. This was due to most of the objectives, indicators and targets being changed at the end of the year with no review of the annual report.

#### **Measurability of indicators and targets**

##### **Performance targets not specific and measurable, and indicators not well defined and verifiable**

53. The FMPPPI requires the following:

- Performance targets must be specific in clearly identifying the nature and required level of performance. A total of 68% of the targets were not specific.
- Performance targets must be measurable. I could not measure the required performance for 68% of the targets.
- Performance indicators and measures must be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. A total of 100% of the indicators were not well defined.
- Performance indicators must be verifiable, meaning that it must be possible to validate the processes and systems that produced the indicator and measure. A total of 65% of the indicators were not verifiable.

54. This was because management did not adhere to the requirements of the FMPPPI, due to a lack of proper systems, processes and technical indicator descriptions.

#### **Reliability of reported performance information**

55. The FMPPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems, the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information, and the auditee's records not permitting the application of alternative audit procedures.

#### **Additional matters**

56. I draw attention to the following matters:

##### **Achievement of planned targets**

57. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected objective reported in paragraph 50 to 54 of this report.



### **Unaudited supplementary information**

58. The supplementary information set out on pages x to x does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not express a conclusion thereon.

### **Compliance with legislation**

59. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### **Strategic planning and performance management**

60. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.
61. The performance management system was not in line with the priorities, objectives, indicators and targets contained in its IDP; did not clarify the roles and responsibilities of each role player; did not determine the frequency of reporting and the lines of accountability; did not relate to employees' performance management processes; and did not link to the integrated development planning processes, as required by section 38(a) of the MSA and municipal planning and performance management (MPPM) regulation 7(2)(c-g).
62. The performance management system did not provide for the monitoring, measuring and review of performance at least once per year, as required by section 41 of the MSA.
63. The performance management system did not provide for steps for improvement where performance targets were not met, as required by section 41(1)(d) of the MSA.
64. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.
65. Key performance indicators, including input, output and outcome indicators in respect of each of the development priorities and objectives, were not set out in the IDP, as required by section 41(1)(a) of the MSA and MPPM regulations 1 and 9(1)(a).
66. Measurable performance targets for the financial year with regard to each of the development priorities or objectives and key performance indicators were not set in the IDP, as required by section 41(1)(b) of the MSA and MPPM regulation 12(1) and 12(2)(e).
67. A performance management system and related controls were not in place, as it did not describe and represent the processes of performance planning, monitoring, measurement, review, reporting and improvement; and did not state how it must be conducted, organised and managed, including determining the roles of the different role players, as required by section 38 of the MSA and MPPM regulation 7.

### **Financial statements, performance report and annual report**

68. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the Municipal Finance Management Act. Material misstatements identified by the auditors in the submitted financial statements were not corrected, which resulted in the financial statements receiving a disclaimer audit opinion.
69. No evidence was provided to confirm that an oversight report, containing comments on the annual report, was adopted by the council within two months from the date on which the 2012-13 annual report was tabled, as required by section 129(1) of the MFMA.

#### **Audit committee**

70. A performance audit committee was not in place and the audit committee was not used to fulfil the performance audit committee function, as required by MPPM regulation 14(2)(a).
71. The audit committee did not advise the council on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management and performance evaluation, as required by section 166(2)(a) of the MFMA.
72. The audit committee did not advise the council on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
73. The audit committee did not advise the council on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the MFMA.
74. The audit committee did not respond to the council on the issues raised in the audit reports of the auditor-general, as required by section 166(2)(c) of the MFMA.
75. The audit committee did not review the municipality's performance management system or make recommendations to the council, as required by MPPM regulation 14(4)(a)(ii).
76. The audit committee did not review all the quarterly internal audit reports on performance measurement, as required by MPPM regulation 14(4)(a)(i).
77. The audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by MPPM regulation 14(4)(a)(iii).

#### **Internal audit**

78. The internal audit unit did not function as required by section 165(2) of the MFMA, in that it did not advise the accounting officer and report to the audit committee on matters relating to internal controls.
79. The internal audit unit did not advise the accounting officer and report to the audit committee on matters relating to compliance with the MFMA, DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

#### **Procurement and contract management**

80. Goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, as required by supply chain management (SCM) regulation 17(a) and (c).
81. Quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(b).
82. Invitations for competitive bidding were not always advertised for the required minimum period, as required by SCM regulation 22(1) and 22(2).
83. Construction projects were not always registered with the Construction Industry Development Board (CIDB), as required by section 22 of the CIDB Act of South Africa, 2000 (Act No. 38 of 2000) and CIDB regulation 18.
84. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
85. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.



86. A list of accredited prospective providers was not in place for procuring goods and services through quotations, as required by SCM regulation 14(1)(a).
87. The prospective provider list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing, and prospective providers were not invited to apply for such listing at least once a year, as per the requirements of SCM regulation 14(1)(a)(ii) and 14(2).

#### **Human resource management and compensation**

88. The municipality did not submit a report on compliance with prescribed competency levels to the National Treasury and relevant provincial treasury, as required by regulation on minimum competency levels 14(2)(a).
89. The annual report of the municipality did not reflect information on compliance with prescribed minimum competencies, as required by regulation on minimum competency levels 14(2)(b).
90. The head of the SCM unit did not have a higher education qualification, as required by section 119 of the MFMA and regulations on minimum competency levels 10 and 11.
91. Finance officials at middle management did not have a higher education qualification, as required by regulations on minimum competency levels 8 and 9.
92. The municipality did not develop and adopt appropriate systems and procedures to monitor, measure and evaluate the performance of staff, in contravention of section 67(d) of the MSA.

#### **Expenditure management**

93. Reasonable steps were not taken to prevent unauthorised, irregular as well as fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

#### **Conditional grants**

94. Municipal infrastructure grant funds were retained or rolled over to the next financial year without seeking the approval of the National Treasury, as required by section 21(1) of DoRA.

#### **Revenue management**

95. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.

#### **Asset and liability management**

96. An adequate management, accounting and information system was not in place to account for assets, as required by section 63(2)(a) of the MFMA.
97. An effective system of internal control for assets, including an asset register, was not in place, as required by section 63(2)(c) of the MFMA.

#### **Consequence management**

98. Unauthorised, irregular as well as fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.
99. Unauthorised expenditure was not authorised through an adjustment budget, as required by section 32(2)(a)(i) of the MFMA.



### **Internal control**

100. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for the disclaimed opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

### **Leadership**

101. Leadership has not adequately performed their leadership responsibilities and has not instilled basic disciplines and controls in the municipality to address significant weaknesses in the overall control environment.
102. Leadership has not implemented an effective performance management system that holds staff accountable and enables the leadership to instill the principle of consequence management.
103. Leadership has developed a plan to address external audit findings, but adherence to the plan was not monitored or overseen by governance structures such as MPAC and the audit committee.
104. Although an IT governance framework is in place it has not been devolved to incorporate the unique circumstances and challenges of the municipality.

### **Financial and performance management**

105. Inadequate record management practices, poor financial discipline and inadequate monitoring controls resulted in significant deficiencies in the general control environment.
106. Where information was made available, it was often incomplete or did not support the underlying accounting records reported in the financial statements and the performance report. The municipality did not institute regular processes of collecting, collating and reporting on credible information to assist with decision-making and directing the municipality's financial and performance objectives. As a result, sufficient appropriate audit evidence was not obtained for a number of significant components reported in the financial statements and performance report.
107. The lack of financial discipline and monitoring throughout the financial year resulted in appropriate daily and monthly processes, procedures and controls not being introduced to ensure that all transactions were accurately recorded, classified, reconciled, approved and reported on, in accordance with SA Standards of GRAP and the FMPPI. Material misstatements across all cycles and components signified a lack of review of transactions and balances at all managerial levels within the municipality, including the inadequacy of detection systems to alert management of control failures.
108. Leadership did not adequately monitor the actions and outputs of officials throughout the year under review to ensure compliance with key legislation. As a result, a large number of municipal laws and regulations were not complied with. In addition, SCM compliance awareness amongst officials across all functional areas was not at the desired level, as evidenced by the abnormal amount of irregular expenditure identified during the audit.

### Governance

109. The municipality's risk management strategy remained in draft form and was not implemented or monitored by management. Although a risk assessment was performed, it was inadequate as no responsibilities or actions were assigned in terms of identified risks. It could thus not be used as a mitigating tool by management.
110. The internal audit unit only tabled one audit report to the audit committee. As a result, the committee did not fulfil its assigned responsibilities in terms of the MFMA, specifically the review of financial and performance reporting and compliance with laws and regulations.
111. The internal audit unit and audit committee did not enhance the credibility of the financial statements or contribute to an improvement in the audit opinion. This was as a result of a number of factors, including the late submission of documentation, a lack of response by management to findings raised, and budgetary constraints affecting these governance structures.

*Andiswa - Gamed*  
East London

30 November 2014



AUDITOR-GENERAL  
SOUTH AFRICA

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# ANNEXURE D

OVERSIGHT REPORT 2013/2014



# 2013/14

## NDLAMBE MUNICIPALITY

### OVERSIGHT REPORT

*Councillor K Ncamiso (ANC) - Chairperson*

*Councillor P Faxi (ANC)*

*Councillor T. Mazana (ANC)*

*Councillor J Cowley (DA)*

*Councillor K Daweti (DA)*



## INDEX

1. Statement of the purpose of the Oversight Report
2. The Municipal Public Account Committee
3. The Functions of the Municipal Public Accounts Committee
4. Summary of Findings relating to the Annual Reporting Process
5. Summary of Presentation received from the Community and Others
6. 2013 / 2014 Annual Report Consultation Process
7. Summary of Reservations and Corrective Actions to be taken by the Municipality
8. Minutes of the meetings of the Municipal Public Accounts Committee
9. Presentation by the Stakeholders
10. Recommendation to Council



## 1. Statement of purpose of the Oversight Report

It is important to have some understanding of the accountability framework for municipalities in order to correctly comprehend the role of the Oversight Report as distinct from that of the Annual Report and any other reports required from the municipality by the Constitution, Acts, regulations or Circulars.

The following table displays the nature of the culpability framework for local government:

	Responsible for	Oversight over	Accountable to
<b>Council</b>	Approving policy and budget	Mayor & Executive Committee	Community
<b>Mayor &amp; Executive Committee</b>	Policy, budgets, outcomes, management of/oversight over municipal manager	Municipal Manager	Council
<b>Municipal Manager</b>	Outputs and implementation	Administration	Mayor & Executive Committee (Council)
<b>Chief Financial Officer and Senior Managers</b>	Outputs and implementation	Financial management and operational functions	Municipal Manager

The Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the Municipal Finance Management Act requires the council to consider the annual report of its municipality and to adopt an "Oversight Report" containing the council's comments on the annual report.

The Oversight Report must include a statement whether the council:

- has approved the annual report, with or without reservations;
- has rejected the annual report; or
- has referred the annual report back for revision of those components that can be revised.

The Oversight Report is a distinct product from the Annual Report.

The Annual Report is submitted to the Council by the Accounting Officer, Adv. R Dumezweni and the Mayor, Cllr. S R Tandani and is part of the process for discharging accountability by the executive and administration for their performance in achieving objectives and goals set by the municipality in the relevant financial year. The Oversight Report follows consideration and consultation on the Annual Report and is considered to be a report of the municipal council to the community disclosing the level of success or otherwise, obtained with meeting the priority needs and stated desires of the community as contained in the IDP.



## 2. The Municipal Public Accounts Committee

The appointment and compilation of Council's Municipal Public Account Committee in October 2011, was handled according to Section 127(3) of the Municipal Finance Management Act. The Municipal Public Account Committee is comprised of non-executive Councillors represented by all political parties and a Chairperson was chosen from amongst them.

The Ndlambe Municipal Public Accounts Committee consists of the following Councillors:

Councillor K Ncamiso (ANC)

Councillor P Faxi (ANC)

Councillor T. Mazana (ANC)

Councillor J Cowley (DA)

Councillor K Daweti (DA)

During the financial period the municipality experienced two resignations by the MPAC members. Those members were from the Democratic Alliance. They were replaced by other two members from Democratic Alliance (DA).

Councillor K. Ncamiso (ANC) serves as chairperson of the committee.

## 3. The Functions of the Municipal Public Accounts Committee:

- a) Undertake a review and analysis of the Annual Report.
- b) Invite, receive and consider inputs from Councillors and officials on the Annual Report.
- c) Consider written comments received on the Annual Report from the public consultation process.
- d) Conduct Strategic Planning session.
- e) Preparation of the draft Oversight Report, taking into consideration the views and inputs of the public, representative(s) of the Auditor General, organs of state, Council's Audit Committee, political Parties and Councillors.
- f) Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.

## 4. Summary of Findings relating to the Annual Reporting Process

The following table summarises the respective findings of the Municipal Public Account Committee relating to the process followed in compiling the Annual Report and resultant Oversight Report in comparison to the process required by statute.

Reservation Expressed by the Municipal Public Account Committee	Actions required	Due Date
The Annual Report was submitted to Council on due date. The Council meeting was held on the 23 January 2015.	The mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control.	31 January 2015



## 5. Summary of Representations received from the Community and Others

The following table reflects the key written representations received from the respective bodies/individuals relating to the contents of the Annual Report:

Representation Submitted by:	Key Issues Raised:	Determination by MPAC
<i>Individual councillors (in particular, ward councillors)</i>	<ul style="list-style-type: none"> <li>• Cllr Metelerkamp.</li> </ul>	<ul style="list-style-type: none"> <li>• The meeting that was scheduled for the 10 &amp; 11 March 2015 was meant to obtain all representation.</li> </ul>
<i>Auditor-General</i>	<ul style="list-style-type: none"> <li>• They were invited to make their representation in front of the MPAC.</li> <li>• The AGSA reflected on the issues raised in the audit report.</li> <li>• Responded to the matters of clarity from the Audit Committee and MPAC members</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Action Plan should be made a standing item of the MPAC for the committee to be able to monitor and make recommendation.</li> <li>• Presented at the MPAC Meeting of 11 March 2015</li> </ul>
<i>Kenton on Sea Ratepayer's Association</i>	<ul style="list-style-type: none"> <li>• They submitted the written representation at the Strategic Planning Session.</li> </ul>	<ul style="list-style-type: none"> <li>• The representation was presented at the Strategic Plan of 11 March 2015</li> </ul>
<i>Audit Committee</i>	<ul style="list-style-type: none"> <li>• They were invited to attend the meeting with the AGSA.</li> <li>• There is a submitted report that forms part of the annexures of the Annual report from the Audit Committee.</li> <li>• The chairperson was requested to give the Audit Committee's opinion on the AFS and their report was included in the Annual report.</li> </ul>	<ul style="list-style-type: none"> <li>• Presented at the MPAC Meeting of 11 March 2015</li> </ul>
<i>Other spheres of government</i>	<ul style="list-style-type: none"> <li>• The Department of Local Government and Traditional Affairs attended the meeting.</li> <li>• They are willing to support with the clean audit campaign.</li> <li>• Provincial Treasury presented on both days</li> <li>• Ndlambe Ratepayers Association Presented on both days</li> </ul>	<ul style="list-style-type: none"> <li>• Presented at the MPAC Meeting of 11 March 2015</li> </ul>
<i>Democratic Alliance (DA)</i>	<ul style="list-style-type: none"> <li>• They submitted the written representation at the Strategic Planning Session.</li> </ul>	<ul style="list-style-type: none"> <li>• Presented at the MPAC Meeting of 11 March 2015</li> </ul>
<i>Ndlambe Ratepayer's Association</i>	<ul style="list-style-type: none"> <li>• The chairperson of the NRF made presentation during the Strategic Planning Session held 10-11 March 2015</li> </ul>	<ul style="list-style-type: none"> <li>• Presented at the MPAC Meeting of 11 March 2015</li> </ul>

The Municipal Public Accounts Committee noted with concern, the lack of comment in respect of the Annual Report from the Ward Committees. Efforts were made to encourage public participation by means of advertising the public MPAC meeting and inviting responses to the Annual report. No input was received despite efforts; however the process will be improved next year.



## 6. 2013/2014 Annual Report Consultation Process

- a) The Annual Report was tabled at an open Council Meeting on 23 January 2015.
- b) The communities were advised through Kowie FM and the print media and the Municipal website of the availability of the annual report and were invited to submit representations on the report.
- c) The Annual Report was available at all municipal libraries and identified offices. The Annual Report was also submitted to the Auditor General, Provincial Treasury and the Department of Local Government and Traditional Affairs.
- d) At the closing date for public submissions (13 February 2015), no submissions had been received from the public.
- e) All stakeholders were invited to the Strategic Session held on the 10 & 11 March 2015

## 7. Summary of Reservations Expressed and Corrective Actions required

<b>RESERVATION</b>	<b>ACTION PLAN</b>
➤ Lack of Capacity / Lack of staffing	Use of internal staff strategically and in-house training
➤ SCOA not being implemented	Pursue funding from National Departments
➤ Service Delivery is not where it should be (negligence on services)	MPAC be provided with the Service Level Standard in order to monitor progress
➤ Debt Collection	Cancel all contracts with the debt collectors and a standing item to the EXCO on progress of debt collecting
➤ Irregular/Fruitless & Wasteful Expenditure/Unauthorised	Every Department to maintain all the registers and be accountable
➤ Non-availability of Managers	Directors, Managers to strictly priorities the meetings especially those meetings that are on the approved schedule of meetings
➤ Salary Proportion is too high compared to the Capital Budget which is low and the asset maintenance budget is very low	Increase maintenance and capital budget for service delivery and this be done through the budget processes so that the staff percentage can be lower. Work study be done
➤ Performance reports of Directors are unreliable and needs to be addressed	Municipal Public Accounts Committee to interrogate the Performance reports and report to Council before they can be submitted to Council
➤ Lack of Consequence Management	Hold Managers/Directors accountable – provide the risk registers, attendance registers
➤ Appointment of Mnotho by the COGTA	That the Department of Local Government and Traditional Affairs be invited in the MPAC meeting
➤ Leadership	Effective leadership will be evident in reduced unauthorised and irregular expenditure and revised performance reports
➤ Audit Action Plan	Directorates to populate and fill in the Audit Action Plan MPAC to monitor the Audit Action Plan
➤ Comments / Inputs submitted by different stakeholders	The Acting MM to responding in writing

## 8. Submissions from the MPAC

During the Strategic Planning session, stakeholders made presentation and commitments. These are attached on the annexures below.

## 9. Minutes of the Meetings of the MPAC

The MPAC minutes are included in the annexures.

### **10. Recommendation to Council**

The resolution of Council at the meeting where the final version of the Oversight Report will be considered will be as follows

- Council approves the 2013/14 Annual Report with reservations as included in the comments in the Oversight Report and;
- The Council having fully considered the 2013/14 Annual Report of the municipality and representations expressed made thereon, and adopts the 2013/14 Oversight Report and;
- Council requests the Mayor to report to council on progress with execution of the corrective actions contained in the Oversight Report.



Comments/Concerns/Reservations	Recommendation
<b>1. Commitments</b> <ul style="list-style-type: none"> <li><i>Committee noted that the municipality do not have adequate and complete contract management system in place.</i></li> <li><i>Committee noted that the projects and Contract registers are not complete and are decentralised.</i></li> </ul>	<b>Committee recommends that:</b> <p><b>1.1.</b> The municipality must centralize procurement and establish the Procurement Management Unit.</p> <p><b>1.2.</b> Project and Contracts Registers must be centralised and updated regularly by PMU.</p>
<b>2. Irregular Expenditure.</b> <ul style="list-style-type: none"> <li><i>Committee noted that the municipality did not have adequate systems in place to identify and disclose all irregular expenditure incurred during the year.</i></li> </ul>	<b>Committee recommends that:</b> <p><b>2.1.</b> The municipality must put adequate systems in place to identify irregular expenditure.</p> <p><b>2.2.</b> All identified irregular expenditure must be disclosed adequately in the AFS.</p> <p><b>2.3.</b> Actions should be taken against individuals that do not comply with laws, regulations and policies.</p>
<b>3. Inventories</b> <ul style="list-style-type: none"> <li><i>Committee noted that the municipality did not include the RDP houses as inventory in the AFS.</i></li> <li><i>Committee noted that the municipality did not have adequate systems in place to recognise all RDP inventory at year end.</i></li> </ul>	<b>Committee recommends that:</b> <p><b>3.1.</b> The RDP houses that are not yet transferred to the owners should be treated in accordance to the requirements of GRAP 12 <i>Inventory</i>.</p> <p><b>3.2.</b> There should be systems in place to recognise, verify, and value RDP house by the 30 June 2014.</p>
<b>4. Employee Costs</b> <ul style="list-style-type: none"> <li><i>Committee noted that the municipality does not have an adopted Remuneration of Vehicle Allowance Policy.</i></li> </ul>	<b>Committee recommends that:</b> <p><b>4.1.</b> The municipality must develop and adopt Remuneration of Vehicle Allowance Policy.</p>
<b>5. Material Losses:</b> <ul style="list-style-type: none"> <li><i>Committee noted that water distributions were not monitored as the municipality does not have bulk water meters to monitor losses.</i></li> </ul>	<b>Committee recommends that:</b> <p><b>5.1.</b> The municipality should install meters to monitor losses when budget permit.</p> <p><b>5.2.</b> An assessment with regards to water losses be conducted and report of this study be presented to council for discussion and a way forward, ie long term maintenance and operational plan</p>

<p><b>6. General</b></p> <ul style="list-style-type: none"> <li>• <i>Committee noted that the internal audit unit is under staffed</i></li> <li>• <i>Committee noted that the was no written representation from ward committees</i></li> <li>• <i>Committee noted that the was no written representations from councillors</i></li> <li>• <i>Committee noted that the number of Council meeting should be increase to avoid the convening of Special Council meeting from 4 to 8 meetings.</i></li> </ul>	<p><b>Committee recommends that:</b></p> <p><b>6.1.</b> The internal audit unit should be capacitated and staffed with human bodies.</p> <p><b>6.2.</b> All stakeholders should be taken through annual report.</p> <p><b>6.3.</b> Meetings with the Audit committee should be regular, more purpose driven and outcomes focused.</p> <p><b>6.4.</b> The AFS should be submitted to the Audit Committee and MPAC first before being forwarded to the Auditor General. This will eliminate errors and ensure quality assurance.</p> <p><b>6.5.</b> Ward councillors to assist in preparing Ward Committees to understand the Annual Report better.</p> <p><b>6.6.</b> The comments of the AGSA are fused into the performance contracts of Section 56 &amp; 57 employee's scorecard.</p> <p><b>6.7.</b> At least four quarterly SDBIP reports should be presented to Council.</p> <p><b>6.8.</b> The Performance Committee is constituted by councillors who are not members of the Executive Committee.</p> <p><b>6.9.</b> All major contracts be presented to the Executive Committee and Council as it the case with Bid adjudication and evaluation committees.</p> <p><b>6.10.</b> Lobby for funding to perform the skills and qualification assessment of the workforce in relation to the jobs that are performed.</p>



# ANNEXURE E

SECTION 72- MID YEAR BUDGET AND  
PERFORMANCE REPORT 2014/2015

**CHAPTER 2: EXECUTIVE SUMMARY****Introduction**

The Municipal Manager as Accounting Officer of the municipality, is required by Section 72 of the Municipal Finance Management Act to submit a report to the Mayor of the Municipality, the National Treasury and the relevant Provincial Treasury by the 25 January of each year, reviewing the financial performance of the municipality for the first six months of the financial year.

The mid-year report is a critical stage in the in-year reporting cycle of a municipality. As part of the review, in terms of Section 72(3) of the Municipal Finance Management Act, the Accounting Officer needs to make recommendations as to whether the Service Delivery Budget Implementation Plans and both capital and operating budgets need to be adjusted.

Section 54 (1) of the Municipal Finance Management Act requires the Mayor to consider and then submit the mid-year report to Council by 31 January of each year.

It must be noted that the Section 52, Quarterly Budget Monitoring Report is incorporated in this report. Therefore, the requirements of Section 52 (f) of the Municipal Finance Management Act have been met in this mid-year Budget and Assessment Report.

The body of this report is detailed to such an extent that my comments in this executive summary will be limited to aspects that I feel need to be highlighted.

**1. Capital Expenditure:**

It needs to be remembered that no provision was made since the 2011/2012 financial year for capital funded from internal sources. Directors have made numerous attempts to lobby for funding but have not been as successful as they were in the previous financial year. It is critical that the Ndlambe Council approves a capital budget from internal sources for the 2015/2016 as the infrastructure, plant and equipment is failing and needs serious attention to avoid breaks in the delivery of essential services.

The expenditure from the limited capital budget that we have is on track and all capital projects will be completed before 30 June 2015, Directors are encouraged to lobby for funds during the remainder of the financial year.

The above illustrates the Ndlambe Municipality's dependency on grant funding and this is a dangerous situation as grant funding will not always be available.

**2. Operating Expenditure**

Budgeted Expenditure	July 2014 – July 2015	R 304 517 822
Actual Expenditure	July 2014 – December 2014	R 136 802 806

There are many reasons as to why the actual expenditure is way below the budgeted expenditure but the main reasons can be attributed to the following;

- The budgeted income not been realized and this is partly due to bad budget planning
- The rapid increase in consumer debt as a result of an increase in both ratepayers and consumers not paying their accounts. This is the biggest challenge facing us at present but drastic steps are going to be implemented to rectify the matter.
- Poor planning and using the incremental budgeting method for all line items also impacts on budgets not been realistic



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SECTION 72- MID-YEAR BUDGET AND PERFORMANCE REPORT

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**3. Operating Income**

Budgeted Income	July 2014 – July 2015	R 331 607 348
Actual Income	July 2014 – December 2014	R 176 030 370

The actual income is distorted by the equitable share and grant money received that is in the process of been spent but if they were removed it is evident that income accrued is not been recovered and that credit control procedures have to be intensified to collect the income due so that expenditure can be incurred as budgeted for.

	Budgeted Income	Actual Income
Rates	R81 160 277	R46 149 084
Sewer	R12 917 230	R 7 602 904
Water	R41 070 491	R16 480 820
Electricity	R54 271 940	R26 739 685
Refuse	R18 012 858	R10 282 432

**4. Debtors Arrears and Payment Levels**

Total Debt due as at 31 December 2014	R98 304 135
Less: Current – Accounts been processed	R 7 247 923
30 Days – Accounts in process of payment	<u>R 6 705 833</u>
Arrear Debt	R84 350 379

Average turnover rate (average should be 11.5% - 15%)

As previously stated, the priority of the finance directorate is to ensure that all debt due to the municipality is recovered and that the policy of Council is amended to bring in stringent measures against defaulters.

**5. Creditors**

All creditors that's invoices were received by 31 December 2014 have been processed. Our top creditors remain Investec Bank,LRC Civils,Eskom Holdings, Amatola Water Board,Amani Sanitation Solutions,DBSA,Maximum Profit Recovery and Rheochem. The creditors mentioned do not include contractors working on projects.

ADV R DUMEZWENI  
MUNICIPAL MANAGER

# ANNEXURE F

AUDITOR GENERAL AUDIT REPORT 2014/2015





AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# **Ndlambe Municipality**

## **Audit Report**

For the year ended 30 June 2015



# **Report of the auditor-general to the Eastern Cape provincial legislature and the council on Ndlambe local municipality**

## **Report on the financial statements**

### **Introduction**

1. I have audited the financial statements of the Ndlambe local municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor-general's responsibility**

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

## **Basis for qualified audit opinion**

### **Irregular expenditure**

6. The municipality did not have adequate systems in place to identify and disclose all irregular expenditure incurred during the year as required by section 125(2) (d) (ii) of the MFMA. The irregular expenditure disclosed in note 42 to the financial statements is understated in respect of amounts incurred and identified during the audit process of R12,6 million (2014: R14,9million). Due to the lack of systems, it was impracticable for me to determine the full extent of the understatement of irregular expenditure disclosed at R39,6million (2014: R79,2million).

## **Qualified opinion**

7. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Ndlambe local municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA and DoRA.

## **Emphasis of matters**

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### **Material losses and impairments**

9. As disclosed in note 31 to the financial statements, material losses to the amount of 16,7 million were incurred as a result of a write-off of irrecoverable trade receivables. Furthermore, note 50 to the financial statements disclose material losses of R17,1 million as a result of water and electricity reticulation losses.

### **Restatements of corresponding figures**

10. As disclosed in note 46 to the financial statements, the corresponding figures for 30 June 2014 have been restated as a result of errors discovered during 2014 and 2015 in the financial statements of the Ndlambe Municipality at, and for the year ended, 30 June 2014.

## **Additional matter**

11. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon



## Report on other legal and regulatory requirements

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

### Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objective presented in the annual performance report of the municipality for the year ended 30 June 2015:
- Key Performance Area (KPA) 1: Basic Service Delivery on pages x to x
14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
15. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. The material findings in respect of the selected objective are as follows:

### **Key Performance Area (KPA) 1: Basic Service Delivery**

#### Usefulness of reported performance information

18. Section 41(c) of the MSA requires the IDP to form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 59% of the reported objectives, a total of 70% of the reported indicators, a total of 89% of the reported targets were not consistent with those in the approved IDP. This was due to the lack of a proper performance management system which led to no reviews, reconciliations and follow-ups being taken by leadership.
19. Section 54(1)(c) of the MFMA determines that the service delivery and budget implementation plan adopted by the municipal council may be amended only if the council approves an adjustments budget. Changes to the service delivery and budget implementation plan in the year have to be made in accordance with the process as prescribed per section 28 of the MFMA. Material changes were made to the objectives, indicators and targets in the annual performance report, without following the process as prescribed in section 28 of the MFMA and without adoption by the municipal council.



This was due to majority of objectives, indicators and targets being changed at the end of the year with no review of the annual report.

20. The FMPPI requires that Performance indicators and measures to be well defined by having clear data definitions so that data can be collected consistently and is easy to understand and use. In addition, performance targets must be specific in clearly identifying the nature and required level of performance and should also be measurable. A total of 100% of the indicators were not well defined and 46% of the targets were not specific and measurable. This was because management did not adhere to the requirements of the FMPPI due to a lack of proper systems and processes and technical indicator descriptions.

### Reliability of reported performance information

21. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. We were unable to obtain the information and explanations we considered necessary to satisfy ourselves as to the reliability of the reported performance information. This was due to limitations placed on the scope of our work due to the absence of information systems, the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

22. I draw attention to the following matters:

### Achievement of planned targets

23. Refer to the annual performance report on pages 54 to 114 for information on the achievement of planned targets for the year. This information should be considered in the context of the findings on usefulness and reliability of the reported performance information in paragraph 18 to 20 of this report.

### Adjustment of material misstatements

24. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for Key Performance Area (KPA) 1 – Basic Service Delivery. As management subsequently corrected only some of the misstatements, I identified material findings on the usefulness and reliability of the reported performance information.

### Unaudited supplementary information

25. The supplementary information set out on pages 1 to 53 and 115 to 121 does not form part of the annual performance report and is presented as additional information. We have not audited these schedules and, accordingly, we do not express a conclusion thereon.

### **Compliance with legislation**

26. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:



## **Strategic planning and performance management**

27. The municipality did not establish a performance management system, as required by section 38(a) of the MSA.
28. The local community was not consulted by means of a municipal wide structure for community participation in drafting and implementing the Integrated development plan (IDP), as required by section 28 of the MSA and Municipal planning and performance management regulation 15(1)(a)(i).
29. The key performance indicators (KPIs) set by the municipality did not include indicators on percentage of households with access to basic level of water and sanitation as required by section 43(2) of the MSA and the Municipal planning and performance management regulation 10(a).
30. The performance management system was not in line with the priorities, objectives, indicators and targets contained in its integrated development plan and did not clarify the roles and responsibilities of each role-player and did not determine the frequency of reporting and the lines of accountability and did not relate to the employee's performance management processes and did not link to the integrated development planning processes, as required by section 38(a) of the MSA and MPPM regulation 7(2)(c-g).
31. The performance management system did not provide for the monitoring, measuring and review of performance at least once per year, as required by section 41 of the MSA.
32. The performance management system did not provide for steps of improvement where performance targets were not met, as required by section 41 (1)(d) of the MSA.
33. The municipality did not establish mechanisms to monitor and review its performance management system, as required by section 40 of the MSA.
34. Key performance indicators, including input, output and outcome indicators, in respect of each of the development priorities and objectives were not set out in the IDP, as required by section 41(1)(a) of the MSA and the MPPM regulation 1 and 9(1)(a).
35. Measurable performance targets for the financial year with regard to each of the development priorities or objectives and key performance indicators were not set in the IDP, as required by section 41(1)(b) of the MSA and the MPPM regulations 12(1) and 12(2)(e).
36. The performance management system and related controls were not in place as it did not describe and represent the processes of performance planning, monitoring, measurement, review, reporting, improvement and how it is conducted, organised and managed, including determining the roles of the different role-players, as required by sections 38 of the MSA and regulation 7 of the MPPM.
37. The annual performance agreements for the municipal manager and all senior managers are not linked to the measurable performance objectives approved with the budget and to the service delivery budget implementation plan as required in terms of section 53(1)(c)(iii) of the MFMA and section 57(1)(b) of the MSA.
38. The service delivery and budget implementation plan (SDBIP) for implementing the municipality's delivery of municipal services and annual budget did not indicate projections for each month of the revenue to be collected, by source and the operational and capital expenditure, by vote, and service delivery targets and performance indicators for each quarter as required by section 1 of the MFMA.



## **Financial statements**

39. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided but the uncorrected material misstatements resulted in the financial statements receiving a qualified opinion.

## **Audit committees**

40. A performance audit committee was not in place and the audit committee was not used to fulfil the performance audit committee function, as required by Municipal planning and performance management regulation 14(2)(a).
41. The audit committee did not review the municipality's performance management system and/or make recommendations to the council, as required by Municipal planning and performance management regulation 14(4)(a)(ii).
42. The audit committee did not review the quarterly internal audit reports on performance measurement, as required by Municipal planning and performance management regulation 14(4)(a)(i).
43. The performance audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by Municipal planning and performance management regulation 14(4)(a)(iii).
44. The performance audit committee did not meet at least twice during the financial year, as required by Municipal planning and performance management regulation 14(3)(a).
45. The audit committee did not advise the council on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the Municipal Finance Management Act.
46. The audit committee did not advise the council on matters relating to compliance with legislation, as required by section 166(2)(a)(vii) of the Municipal Finance Management Act.
47. The audit committee did not meet at least four times a year, as required by section 166(4)(b) of the Municipal Finance Management Act.
48. The audit committee did not advise the council on matters relating to internal financial control and internal audits, risk management, accounting policies, effective governance, performance management and performance evaluation as required by section 166(2)(a) of the Municipal Finance Management Act.

## **Internal audit**

49. The internal audit unit did not function as required by section 165(2) of the MFMA, in that:
- It did not prepare a risk-based audit plan and an internal audit programme for the financial year under review.
  - It did not report to the audit committee on the implementation of the internal audit plan.
  - It did not advise the accounting officer and/or report to the audit committee on matters relating to internal audit, internal controls, accounting procedures and practices, risk and risk management and loss control.



50. The internal audit unit did not advise the accounting officer and report to the audit committee on matters relating to compliance with the MFMA, the DoRA and other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

### **Procurement and contract management**

51. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations as required by SCM regulation 17(a) & (c).
52. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).
53. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
54. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.
55. A list of accredited prospective providers was not in place for procuring goods and services through quotations as required by SCM regulation 14(1)(a).
56. The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing, and prospective providers were not invited to apply for such listing at least once a year as per the requirements of SCM regulation 14(1)(a)(ii) and 14(2).

### **Human resource management and compensation**

57. The municipality did not develop and adopt appropriate systems (policies) and procedures to monitor measure and evaluate performance of staff in contravention of section 67(d) of the MSA.

### **Expenditure management**

58. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

### **Conditional grants received**

59. The municipality did not evaluate its performance in respect of programmes funded by the Municipal Infrastructure Grant, Municipal Systems Improvement Grant and Local Government Financial Management Grant allocation, as required by section 12(5) of the DoRA.
60. Municipal Infrastructure Grant funds were retained or rolled over to the next financial year without seeking the approval of the National Treasury, as required by sections 22(1) of the DoRA.

### **Asset and liability management**

- 61. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
- 62. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

### **Consequence management**

- 63. Unauthorised, Irregular, Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.

### **Internal control**

- 64. I considered internal control relevant to my audit of the financial statements, performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.

### **Leadership**

- 65. Leadership did not adequately discharge its oversight responsibilities with regards to the implementation and monitoring of internal controls to ensure sound financial and performance management and compliance with laws and regulations. This resulted in inaccurate, incomplete and inadequate financial and performance reporting.
- 66. Leadership has developed a plan to address external audit findings, but the implementation of the plan has not sufficiently addressed all the external audit findings raised in prior years.
- 67. Leadership has not implemented an effective performance management system that holds staff accountable and enables the leadership to instil the principle of consequence management. As a result a large number of municipal laws and regulations were not complied with.

### **Financial and performance management**

- 68. Information availed was at times either incomplete or did not support the financial statements and the performance report. For some areas under both financial and performance management the regular processes of collecting, collating and reporting on credible information were not implemented which resulted in material findings being identified on the reported financial and performance information.



## Governance

69. The implementation of the risk management strategy has not been monitored. Although a risk assessment was performed it was inadequate and not formally adopted.
70. The internal audit unit and audit committee did not enhance the credibility of the financial statements and performance reports. This is as a result of a number of factors including the lack of capacity of internal audit and inability of the audit committee to meet regularly as required by legislation.

*Auditor-General*

East London

30 November 2015



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# **ANNEXURE G**

**AUDITED ANNUAL FINANCIAL STATEMENTS  
2014/2015**





## **NDLAMBE LOCAL MUNICIPALITY**

**Annual Financial Statements  
for the year ended 30 June 2015**

## **Ndlambe Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

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<b>Legal form of entity</b>	Ndlambe Municipality (EC 105) is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)
<b>Nature of business and principal activities</b>	Local Government
<b>Accounting Officer</b>	R Dumezweni
<b>Business address</b>	47 Campbell Street Port Alfred 6170
<b>Postal address</b>	P O Box 13 Port Alfred 6170
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor General
<b>Jurisdiction</b>	The Ndlambe Municipality includes the following areas: Port Alfred Bathurst Alexandria Kenton-on-sea Cannon-Rocks



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Index

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Statement of Comparison of Budget and Actual Amounts	8 - 9
Accounting Policies	10 - 33
Notes to the Annual Financial Statements	34 - 82

### Abbreviations

AGSA	Office of the Auditor General of South Africa
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## **Ndlambe Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 4 to 82, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

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**R Dumezweni**  
**Municipal Manager**



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in South African Rand	Note(s)	2015	2014 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	858 933	799 751
Receivables from non-exchange transactions	4	11 149 541	11 653 797
Receivables from exchange transactions	5	24 914 299	12 975 022
Cash and cash equivalents	6	28 720 873	21 271 191
Operating lease asset		43 852	43 852
		<b>65 687 498</b>	<b>46 743 613</b>
<b>Non-Current Assets</b>			
Investment property	8	190 640 951	158 469 319
Property, plant and equipment	9	602 126 211	607 593 346
Intangible assets	10	439 291	377 572
Heritage assets	11	16	16
Other financial assets	12	144 979	134 689
		<b>793 351 448</b>	<b>766 574 942</b>
<b>Total Assets</b>		<b>859 038 946</b>	<b>813 318 555</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Consumer deposits	14	1 700 733	1 634 933
Payables	15	43 072 083	36 159 764
Unspent conditional grants and receipts	16	9 182 638	4 844 705
VAT payable	17	4 999 049	3 165 630
Financial liabilities - DBSA	18	4 370 239	3 895 811
Operating lease liability	7	26 105	44 671
Employee benefit obligation	19	1 590 000	1 513 000
Provisions	20	1 696 616	1 135 349
		<b>66 637 463</b>	<b>52 393 863</b>
<b>Non-Current Liabilities</b>			
Financial liabilities - DBSA	18	15 404 512	19 777 482
Employee benefit obligation	19	47 775 000	46 181 000
Provisions	20	22 454 111	25 794 329
		<b>85 633 623</b>	<b>91 752 811</b>
<b>Total Liabilities</b>		<b>152 271 086</b>	<b>144 146 674</b>
<b>Net Assets</b>		<b>706 767 860</b>	<b>669 171 881</b>
<b>Net Assets</b>			
Accumulated surplus		706 767 860	669 171 881

\* See Note 45 & 46

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

Figures in South African Rand

	Note(s)	2015	2014 Restated*
<b>Revenue</b>			
Property rates	21	68 591 944	58 501 296
Service charges	22	96 266 690	80 824 571
Government grants & subsidies	23	104 534 447	118 720 370
Rendering of services (burial fees)		179 577	192 000
Rental of facilities and equipment		1 192 233	1 068 217
Licences and permits		3 957 916	3 498 356
Rental income		4 038	6 044
Other income	24	2 816 797	2 473 049
Interest received - investment	25	7 416 151	6 435 934
Public contributions and donations		33 926 611	-
Fines, Penalties and Forfeits		606 110	432 880
<b>Total revenue</b>	26	<b>319 492 514</b>	<b>272 152 717</b>
<b>Expenditure</b>			
Employee related costs	27	(99 901 692)	(89 225 585)
Remuneration of councillors	28	(5 608 728)	(5 173 279)
Depreciation and amortisation	29	(35 209 392)	(37 323 128)
Impairment loss/ Reversal of impairments		(195 312)	-
Finance costs	30	(2 461 170)	(3 416 999)
Lease rentals on operating lease		(2 453 603)	(2 262 606)
Debt Impairment	31	(16 731 643)	(15 553 627)
Repairs and maintenance		(12 188 952)	(7 635 683)
Bulk purchases	33	(46 757 968)	(41 082 589)
Contracted services		(18 394 706)	(14 577 866)
Renewable Energy Programmes		(3 875 721)	(522 049)
Transfers and Subsidies	34	(865 294)	(823 190)
General Expenses	35	(39 565 673)	(40 010 040)
<b>Total expenditure</b>		<b>(284 209 854)</b>	<b>(257 606 641)</b>
<b>Operating surplus</b>		<b>35 282 660</b>	<b>14 546 076</b>
Loss on disposal of assets and liabilities		(501 924)	-
Fair value adjustments	36	2 815 242	(1 629 357)
		<b>2 313 318</b>	<b>(1 629 357)</b>
<b>Surplus for the year</b>		<b>37 595 978</b>	<b>12 916 719</b>

\* See Note 45 & 46



## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Statement of Changes in Net Assets

Figures in South African Rand	Note(s)	Accumulated surplus	Total net assets
Opening balance as previously reported		615 120 511	615 120 511
Adjustments			
Change in accounting policy	45	16	16
Prior period errors	46	41 134 635	41 134 635
<b>Balance at 01 July 2013 as restated*</b>		<b>656 255 162</b>	<b>656 255 162</b>
Changes in net assets			
Surplus for the year		12 916 719	12 916 719
Total changes		12 916 719	12 916 719
<b>Restated* Balance at 01 July 2014</b>		<b>669 171 882</b>	<b>669 171 882</b>
Changes in net assets			
Surplus for the year		37 595 978	37 595 978
Total changes		37 595 978	37 595 978
<b>Balance at 30 June 2015</b>		<b>706 767 860</b>	<b>706 767 860</b>

\* See Note 45 & 46

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Cash Flow Statement

Figures in South African Rand

Note(s)

2015

2014  
Restated\*

### Cash flows from operating activities

#### Receipts

Rates and Services	143 859 153	134 855 613
Government Grants and Subsidies	104 534 447	118 720 370
Interest income	7 416 151	6 435 934
Other receipts	3 422 907	2 905 929
	<u>259 232 658</u>	<u>262 917 846</u>

#### Payments

Employee costs	(105 510 419)	(94 398 865)
Suppliers	(111 157 741)	(112 474 392)
Finance costs	(2 461 170)	(3 416 999)
	<u>(219 129 330)</u>	<u>(210 290 256)</u>

### Net cash flows from operating activities

37

40 103 328      52 627 590

### Cash flows from investing activities

Purchase of property, plant and equipment	9	(28 545 206)	(55 825 577)
Purchase of other intangible assets	10	(209 898)	(131 041)
		<u>(28 755 104)</u>	<u>(55 956 618)</u>

### Cash flows from financing activities

Movement in Long term Liabilities	(3 898 542)	(3 370 976)
	<u>(3 898 542)</u>	<u>(3 370 976)</u>

### Net increase/(decrease) in cash and cash equivalents

7 449 682      (6 700 004)

### Cash and cash equivalents at the beginning of the year

21 271 191      27 971 195

### Cash and cash equivalents at the end of the year

6

28 720 873      21 271 191

\* See Note 45 & 46



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in South African Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	123 761 000	-	123 761 000	96 266 690	(27 494 310)	48.1
Rendering of services	1 223 000	1 185 000	2 408 000	179 577	(2 228 423)	48.2
Rental of facilities and equipment	1 167 000	-	1 167 000	1 192 233	25 233	
Licences and permits	2 298 000	1 010 000	3 308 000	3 957 916	649 916	48.3
Rental income	5 440	-	5 440	4 038	(1 402)	48.4
Other income - (rollup)	17 542 560	(4 497 000)	13 045 560	2 816 797	(10 228 763)	48.5
Interest received - investment	8 709 000	(2 914 000)	5 795 000	7 416 151	1 621 151	48.6
Gains on disposal of assets	512 000	-	512 000	-	(512 000)	48.7
<b>Total revenue from exchange transactions</b>	<b>155 218 000</b>	<b>(5 216 000)</b>	<b>150 002 000</b>	<b>111 833 402</b>	<b>(38 168 598)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	75 468 000	-	75 468 000	68 591 944	(6 876 056)	47.8
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##### Transfer revenue

Government grants & subsidies	94 803 000	6 380 000	101 183 000	104 534 447	3 351 447	47.9
Public contributions and donations	-	-	-	33 926 611	33 926 611	47.10
Fines, Penalties and Forfeits	680 000	-	680 000	606 110	(73 890)	47.11

<b>Total revenue from non-exchange transactions</b>	<b>170 951 000</b>	<b>6 380 000</b>	<b>177 331 000</b>	<b>207 659 112</b>	<b>30 328 112</b>	
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<b>Total revenue</b>	<b>326 169 000</b>	<b>1 164 000</b>	<b>327 333 000</b>	<b>319 492 514</b>	<b>(7 840 486)</b>	
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#### Expenditure

Personnel	(91 203 000)	(2 648 000)	(93 851 000)	(99 901 692)	(6 050 692)	47.12
Remuneration of councillors	(5 377 000)	(461 000)	(5 838 000)	(5 608 728)	229 272	47.13
Alternative energy programmes	-	-	-	(3 875 721)	(3 875 721)	
Depreciation and amortisation	(1 342 000)	(1 731 000)	(3 073 000)	(35 209 392)	(32 136 392)	47.14
Impairment loss/ Reversal of impairments	-	-	-	(195 312)	(195 312)	47.15
Finance costs	(2 201 000)	-	(2 201 000)	(2 461 170)	(260 170)	47.16
Lease rentals on operating lease	(2 890 742)	877 920	(2 012 822)	(2 453 603)	(440 781)	47.17
Bad debts written off	-	(7 800 000)	(7 800 000)	(16 731 643)	(8 931 643)	47.18
Repairs and maintenance	(10 574 000)	1 828 000	(8 746 000)	(12 188 952)	(3 442 952)	47.19
Bulk purchases	(12 095 000)	(31 279 000)	(43 374 000)	(46 757 968)	(3 383 968)	47.20
Contracted Services	(11 505 000)	(3 396 000)	(14 901 000)	(18 394 706)	(3 493 706)	47.21
Transfers and Subsidies	(1 025 000)	50 000	(975 000)	(865 294)	109 706	47.22
Loss on disposal of assets	(188 000)	-	(188 000)	-	188 000	47.23
General Expenses	(187 758 258)	76 778 080	(110 980 178)	(39 565 673)	71 414 505	47.24

<b>Total expenditure</b>	<b>(326 159 000)</b>	<b>32 219 000</b>	<b>(293 940 000)</b>	<b>(284 209 854)</b>	<b>9 730 146</b>	
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#### Operating surplus

Loss on disposal of assets and liabilities	-	157 520	157 520	(501 924)	(659 444)	47.25
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## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in South African Rand						
Fair value adjustments	-	-	-	2 815 242	2 815 242	47.26
	-	157 520	157 520	2 313 318	2 155 798	
Surplus before taxation	10 000	33 540 520	33 550 520	37 595 978	4 045 458	
Refer to Note	48					



# **Ndlambe Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

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### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

#### **1.1 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### **1.2 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.3 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### **Trade receivables / Held to maturity investments and/or loans and receivables**

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus informs as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

##### **Allowance for slow moving, damaged and obsolete stock**

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

##### **Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. They are significantly affected by a number of factors, including economic.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 & 20 - Provisions.

#### Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for post retirement obligations are based on current market conditions. Additional information is disclosed in Note 19.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.4 Investment property (continued)

#### Cost model

Investment property is carried at cost less accumulated depreciation less any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	50 Years
Plant and machinery	15 Years
Motor vehicles	5 - 15 Years
Office equipment	3 - 5 Years
IT equipment	3 - 5 Years
Community	10 -30 Years
Electricity Network	20 -30 Years
Roads	20 Years
Wastewater network	20 Years
Water network	20 Years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.



## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.5 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

#### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 Years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

### 1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.



## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.7 Heritage assets (continued)

##### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash,
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.8 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.



## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.8 Financial instruments (continued)

##### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents (funds and call accounts)	Financial asset at fair value
Cash and cash equivalents (notice accounts)	Financial asset measured at amortised cost
Other financial assets	Financial asset at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables	Financial liability measured at amortised cost
DBSA Loan	Financial liability measured at amortised cost

##### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

##### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement consideration:

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.



## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.8 Financial instruments (continued)

##### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.



## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.10 Inventories (continued)

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### 1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.11 Impairment of cash-generating assets (continued)

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Basis for estimates of future cash flows

In measuring value in use the municipality uses:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and



## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

---

#### 1.11 Impairment of cash-generating assets (continued)

- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

#### Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets (continued)

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.13 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.13 Employee benefits (continued)

##### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

##### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

##### Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

#### 1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.



## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.14 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.15 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value without directly giving approximately equal value in exchange, or gives value without directly receiving approximately equal value in exchange.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.16 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.



## **Ndlambe Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

### **Accounting Policies**

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#### **1.16 Revenue from non-exchange transactions (continued)**

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### **1.17 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

#### **1.18 Borrowing costs**

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

#### **1.19 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

#### **1.20 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### **1.21 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

#### **1.22 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.23 Conditional grants and receipts**

Receipts of conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

#### **1.24 Unconditional grants and receipts**

Receipts of unconditional grants, donations and funding are recognised as revenue on receipt.

#### **1.25 Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Accounting Policies

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#### 1.25 Budget information (continued)

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

#### 1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

#### 1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

#### 1.28 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. A commitment is disclosed to the extent that it has not already been recognized elsewhere in the financial statements.

At the end of each financial period the municipality determines commitments in respect of capital expenditure that has been approved and contracted for.

#### 1.29 Material Losses (Water and Electricity)

Water and electricity losses are required to be disclosed as part of the material loss disclosure of the MFMA Section 125. Losses are calculated on the following basis -

Nr of units of lost supply, being the difference between what was supplied and what has been sold at the per unit tariff rate.

The unit tariff rate, in the case of electricity being the lower rate of Kwh as charged per council and in the case of water the lowest rate per Kl (Incl VAT).



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 109 - Accounting by Principals and Agents	Unknown	The impact of the amendment is not material.
• GRAP 18: Segment Reporting	01 April 2015	The impact of the amendment is not material.
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 107: Mergers	01 April 2015	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2016	The impact of the amendment is not material.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2015	The impact of the amendment is not material.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	The impact of the amendment is not material.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	The impact of the amendment is not material.
• GRAP32: Service Concession Arrangements: Grantor	Unknown	The impact of the amendment is not material.
• GRAP108: Statutory Receivables	Unknown	The impact of the amendment is not material.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	Unknown	The impact of the amendment is not material.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	The impact of the amendment is not material.

## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014
<b>3. Inventories</b>		
Electrical spares	1 354	1 651
Game	54 000	54 000
Maintenance materials	174 283	101 152
Water	82 251	75 127
Stores, materials and fuels	547 045	567 821
	<b>858 933</b>	<b>799 751</b>

No inventories were written down to net realisable value.

Game is held for recreational purposes in a form of viewing of game at the reserves by the public. These animals are held for the enjoyment of the public and not for resale. It is not the intention of the municipality to trade in wildlife and as such these animals have not been recognised as Biological assets.

Game is measured at the lower of cost or current replacement cost.

#### 4. Receivables from non-exchange transactions

Rates	30 050 381	20 046 420
Provision for Impairment - Non exchange receivables	(22 728 885)	(11 980 169)
Deposits	70 500	70 500
Recoverable legal expenses	207 437	207 437
Staff taxes to SARS refundable	281 121	359 275
Recoverable fruitless and wasteful expenditure	119 058	119 058
Environmental levies	3 149 929	2 831 276
	<b>11 149 541</b>	<b>11 653 797</b>

The deposits are made up of an amount of R58 000 paid to Eskom for street lighting and R12 500 paid to Kanton on Sea Garage for a petrol deposit

Fruitless and wasteful expenditure comprises of an amount refundable from NG Ngesi, former Municipal Manager, for the acknowledgement of debt made by him for laptops paid for by the municipality but never delivered.

#### Receivables from non-exchange transactions past due but not impaired

Trade and other receivables which are past due but are not considered to be impaired as at 30 June 2015, R10 294 241 (2014: R4 155 582) were past due but not impaired.

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	(11 980 169)	(13 426 187)
Contributions to allowance for impairment	(11 919 661)	1 446 018
Bad Debts written off against allowance	1 170 975	-
	<b>(22 728 855)</b>	<b>(11 980 169)</b>

None of the financial assets have been renegotiated in the past financial year.



## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

#### 5. Receivables from exchange transactions

##### Gross balances

Electricity	12 145 690	10 865 586
Water	20 068 390	18 691 738
Waste water	1 222 814	965 120
Sewerage	9 096 887	8 462 788
Refuse	10 491 522	9 836 184
Housing rental	284 660	263 149
Service charges and other	11 994 486	12 271 153
	<b>65 304 449</b>	<b>61 355 718</b>

##### Less: Allowance for impairment

Impairment allowance	(40 390 150)	(48 380 696)
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##### Net balance

Electricity	12 145 690	10 865 586
Water	20 068 390	18 691 738
Waste water	1 222 814	965 120
Sewerage	9 096 887	8 462 788
Refuse	10 491 522	9 836 184
Housing rental	284 660	263 149
Service charges and other	11 994 486	12 271 153
Impairment allowance	(40 390 150)	(48 380 696)
	<b>24 914 299</b>	<b>12 975 022</b>

##### Reconciliation of allowance for impairment

Balance at beginning of the year	(48 380 696)	(42 649 175)
Contributions to allowance for impairment	(4 811 952)	(5 731 521)
Bad Debts written off against allowance	12 802 498	-
	<b>(40 390 150)</b>	<b>(48 380 696)</b>

None of the financial assets have been renegotiated in the last year.

##### Consumer debtors past due but not impaired

Consumer debtors past due but are not considered to be impaired as at 30 June 2015, R14 380 932 (2014: R 20 963 926) were past due but not impaired.

##### Consumer debtors impairment process

In estimating the provision for debt impairment a means test was performed. The test entailed plotting each debtor's outstanding amount (including their payment history over the past financial year) and physical address on a GIS system. The following type of debtors were eliminated from the calculation:

- Indigents - these were impaired in full
- All government related debt - these should all be recoverable
- Debtors paying within 30 days - these were not considered to be doubtful
- Debtors settling their accounts monthly, although late - these were not considered to be doubtful
- Debtors with properties in affluent suburbs - these debtors are able to settle their accounts and were not considered to be doubtful

The outstanding amounts after the elimination of the above were considered to be impaired and were included in the provision for bad debt impairment.

## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

#### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 111	5 111
Bank balances	10 196 893	5 968 459
Short-term deposits	18 518 869	15 297 621
	<b>28 720 873</b>	<b>21 271 191</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
FIRST NATIONAL BANK - General Account - Current	3 993 015	6 496 669	6 554 457	8 363 961	4 597 511	5 552 609
FIRST NATIONAL BANK - Housing Account - Current	1 152 054	5 153 010	681 816	1 606 071	1 152 188	5 153 010
FIRST NATIONAL BANK - Revolving Account - Current	178 760	15 003 219	17 678 986	226 861	178 760	15 003 219
FIRST NATIONAL BANK CRR Call Acc	3 450 668	1 928 284	451 554	3 450 068	1 928 284	451 554
FIRST NATIONAL BANK Fixed Deposit Acc (DBSA)	3 124 438	5 909 686	5 614 251	3 124 438	5 909 686	5 614 251
FIRST NATIONAL BANK Call Account (Eskom)	3 139 594	-	-	3 139 594	-	-
STANDARD BANK Notice Account	145 361	138 465	132 621	145 361	138 465	132 621
INVESTEC BANK Internal Funds (502) Call Acc	1 950 924	90 251	-	1 950 924	90 251	-
INVESTEC BANK FMG (503) Call Account	101 924	-	-	101 924	-	-
INVESTEC BANK Essential oils (504) Call Acc	319 056	695 969	-	319 056	695 969	-
INVESTEC BANK Vuna Awards (505) Call Acc	2 840	9 469	-	2 840	9 469	-
INVESTEC BANK Chicory (506) Call Acc	1 194 637	1 267 250	-	1 194 637	1 367 250	-
INVESTEC BANK MSIG (507) Call Acc	706	414 700	-	706	414 700	-
INVESTEC BANK DME (509) Call Acc	3 133	322 629	-	3 133	322 629	-
INVESTEC BANK IDP Process (510) Call Acc	18 036	18 037	-	18 064	18 064	-
INVESTEC BANK EC Sport (511) Call Acc	3 272 562	2 495 678	-	3 272 562	2 495 678	-
INVESTEC BANK LG SETA (512) Call Acc	16 771	399 210	-	16 771	399 210	-
INVESTEC BANK Fire Officer (513) Call Acc	3 387	300 622	-	3 387	300 622	-
INVESTEC BANK EPWP (514) Call Acc	44 664	68 476	-	44 664	68 476	-
INVESTEC BANK LED Section Ass (515) Call Acc	4 730	45 144	-	4 730	45 144	-
INVESTEC BANK MIG Sewer (517) Call Acc	1 209 299	842 481	-	1 209 299	842 481	-
INVESTEC BANK MIG Sport Field (518) Call Acc	12 473	8 509	-	12 473	8 509	-
INVESTEC BANK IDP Support (519) Call Acc	-	15 309	-	-	15 309	-



## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014
<b>6. Cash and cash equivalents (continued)</b>		
INVESTEC BANK	-	208 542
South Seas (520) Call Acc		
INVESTEC BANK	192	7 062
Water Cons Audit (521) Call Acc		
INVESTEC BANK	4 381	1 195
PMU (522) Call Acc		
INVESTEC BANK	200 082	-
Prep Water Meter (523) Call Acc		
INVESTEC BANK	131 608	-
LED Initiative (524) Call Acc		
INVESTEC BANK	167 401	-
Greenest Town (525) Call Acc		
<b>Total</b>	<b>23 842 696</b>	<b>41 839 866</b>

The municipality has a guarantee with FNB in favour of the Department of Mineral and Energy Affairs for an amount of R45 622.

The municipality has a guarantee with Eskom in favour of the Department of Minerals and Energy Affairs for an amount of R1 024 929.

#### 7. Operating lease asset & liability

Current assets	43 852	43 852
Current liabilities	(26 105)	(44 671)
	<b>17 747</b>	<b>(819)</b>

Operating lease liabilities result from operating leases where the municipality is the lessor and have straight lined the rental income over the period of the lease in accordance with GRAP 13.

Operating lease assets result from operating leases where the municipality is the lessee and have straight lined the rental expenditure over the period of the lease in accordance with GRAP 13.

#### 8. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	157 280 000	-	157 280 000	157 280 000	-	157 280 000
Buildings	34 247 903	(886 952)	33 360 951	1 541 601	(352 282)	1 189 319
<b>Total</b>	<b>151 527 903</b>	<b>(886 952)</b>	<b>150 640 951</b>	<b>158 821 601</b>	<b>(352 282)</b>	<b>158 469 319</b>

#### Reconciliation of investment property - 2015

	Opening balance	Additions	Depreciation	Total
Land	157 280 000	-	-	157 280 000
Buildings	1 189 319	32 706 302	(534 670)	33 360 951
	<b>158 469 319</b>	<b>32 706 302</b>	<b>(534 670)</b>	<b>190 640 951</b>

## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

#### 8. Investment property (continued)

##### Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Land	157 280 000	-	157 280 000
Buildings	1 241 059	(51 740)	1 189 319
	<b>158 521 059</b>	<b>(51 740)</b>	<b>158 469 319</b>

##### Pledged as security

No investment property is pledged as security.

Note that the 2014/15 additions figure represents assets donated to the municipality and as such is not reflected as a cash outflow on the Cash Flow Statement.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

##### Rental revenue received on investment properties

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	49 270	35 002
Direct operating expenses from non-rental generating property	49 388	-

#### 9. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	82 260 691	-	82 260 691	82 260 691	-	82 260 691
Buildings	106 389 287	(27 948 373)	78 440 914	93 350 208	(25 411 833)	67 938 375
Plant and machinery	9 366 749	(4 118 778)	5 247 971	8 601 827	(3 116 493)	5 485 334
Motor vehicles	28 070 802	(18 285 083)	9 785 719	26 285 608	(16 275 142)	10 010 466
Office equipment	6 835 453	(4 487 058)	2 348 395	5 832 275	(4 150 772)	1 681 503
Work in progress	33 562 801	-	33 562 801	75 730 812	-	75 730 812
Wastewater network	148 747 262	(40 601 846)	108 145 416	137 843 292	(36 874 588)	100 968 704
Water network	159 385 259	(106 320 566)	53 064 693	158 035 907	(96 389 033)	61 646 874
Roads	396 580 691	(239 387 172)	157 193 519	388 664 959	(229 623 521)	159 041 438
IT equipment	4 229 979	(2 665 569)	1 564 410	4 625 667	(2 646 212)	1 979 455
Electricity network	138 550 210	(68 038 528)	70 511 682	105 553 843	(64 704 149)	40 849 694
<b>Total</b>	<b>1 113 979 184</b>	<b>(511 852 973)</b>	<b>602 126 211</b>	<b>1 086 785 089</b>	<b>(479 191 743)</b>	<b>607 593 346</b>



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

### 9. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	WIP Transfer In/(Out)	Depreciation	Impairment loss	Total
Land	82 260 691	-	-	-	-	-	82 260 691
Buildings	67 938 375	3 992 139	-	9 046 940	(2 536 540)	-	78 440 914
Plant and machinery	5 485 334	847 556	(14 667)	-	(1 070 252)	-	5 247 971
Motor vehicles	10 010 466	1 790 387	(1 574)	-	(2 013 560)	-	9 785 719
Office equipment	1 681 503	1 075 196	(8 870)	-	(399 434)	-	2 348 395
IT equipment	1 979 455	181 967	(84 955)	-	(512 057)	-	1 564 410
Electricity network	40 849 694	33 333	-	32 963 035	(3 334 380)	-	70 511 682
Work in progress	75 730 812	17 634 748	-	(59 802 759)	-	-	33 562 801
Roads	159 041 438	993 690	(345 599)	8 599 874	(11 095 884)	-	157 193 519
Wastewater network	100 968 704	2 320 109	(53 568)	8 739 948	(3 829 777)	-	108 145 416
Water network	61 646 874	896 390	-	452 962	(9 736 221)	(195 312)	53 064 693
	<b>607 593 346</b>	<b>29 765 515</b>	<b>(509 233)</b>	<b>-</b>	<b>(34 528 105)</b>	<b>(195 312)</b>	<b>602 126 211</b>

## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in South African Rand

#### 9. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	WIP Transferred In/(Out)	Depreciation	Total
Land	82 260 691	-	-	-	82 260 691
Buildings	70 387 219	-	179 897	(2 628 741)	67 938 375
Plant and machinery	2 222 010	3 926 897	-	(663 573)	5 485 334
Motor vehicles	12 839 785	470 246	-	(3 299 565)	10 010 466
Office equipment	2 231 839	224 769	-	(775 105)	1 681 503
IT equipment	1 635 957	937 689	-	(594 191)	1 979 455
Electricity network	42 246 320	-	1 702 841	(3 099 467)	40 849 694
Work in progress	114 112 561	41 171 549	(79 553 298)	-	75 730 812
Roads	142 621 671	6 253 477	21 736 278	(11 569 988)	159 041 438
Wastewater network	48 665 913	2 292 792	53 582 180	(3 572 181)	100 968 704
Water network	69 962 802	548 158	2 352 102	(11 216 188)	61 646 874
	<b>589 186 768</b>	<b>55 825 577</b>	<b>-</b>	<b>(37 418 999)</b>	<b>607 593 346</b>

#### Pledged as security

No assets have been pledged as security.

Note that the 2014/15 additions figure for Property, plant and Equipment contains moveable assets donated to the municipality and as thus is not reflected as a cash outflow on the Cash Flow Statement.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 10. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	780 605	(341 314)	439 291	577 531	(199 959)	377 572

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	377 572	209 898	(1 562)	(146 617)	439 291

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	334 891	131 041	(88 360)	377 572

### 11. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	16	-	16	16	-	16

#### Reconciliation of heritage assets 2015

	Opening balance	Total
Conservation areas	16	16
Historical buildings	-	-
	<b>16</b>	<b>16</b>

#### Reconciliation of heritage assets 2014

	Opening balance	Total
Conservation areas	16	16

#### Age and/or condition of heritage assets

To the extent that it provides useful and relevant information, entities are encouraged to provide information that will enable users to appreciate the age and/or condition of heritage assets.

The following information relating to age and/or condition of heritage assets is provided for better appreciation:

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 11. Heritage assets (continued)

#### Restrictions on heritage assets

The heritage assets, disclose below have restrictions in terms of their disposal due to the fact that they are registered with the national heritage council and therefore cannot and will not be disposed of in the course of operations of the municipality.

Carrying value of heritage assets with restrictions:

Conservation areas	16	16
Disposal restriction due to registration at National Heritage council		

### 12. Other financial assets

#### Designated at fair value

Listed shares	144 979	134 689
Old Mutual shares are held at fair value determined as the quoted market value.		

<b>Total other financial assets</b>	<b>144 979</b>	<b>134 689</b>
-------------------------------------	----------------	----------------

#### Non-current assets

Designated at fair value	144 979	134 689
--------------------------	---------	---------

### 13. Financial instruments disclosure

#### Categories of financial instruments

#### 2015

#### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	32 453 525	32 453 525
Other receivables from non-exchange transactions	5 225 325	5 225 325
Cash and cash equivalents	23 424 332	23 424 332
	<b>61 103 182</b>	<b>61 103 182</b>

#### Financial liabilities

#### 2014

#### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	134 689	-	134 689
Trade and other receivables from exchange transactions	-	13 175 684	13 175 684
Other receivables from non-exchange transactions	-	12 828 035	12 828 035
Cash and cash equivalents	21 278 517	-	21 278 517
	<b>21 413 206</b>	<b>26 003 719</b>	<b>47 416 925</b>



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### Financial instruments disclosure (continued)

#### Financial liabilities

	At amortised cost	Total
Other financial liabilities	23 673 293	23 673 293
Trade and other payables from exchange transactions	29 609 923	29 609 923
	<b>53 283 216</b>	<b>53 283 216</b>

#### 14. Consumer deposits

Electricity	1 465 899	1 445 159
Water	234 834	189 774
	<b>1 700 733</b>	<b>1 634 933</b>

#### 15. Payables

Trade payables	19 511 184	15 143 261
Payments received in advance	2 966 963	2 728 981
Accrued leave pay	4 273 091	4 255 431
13th cheque accrual	2 361 487	2 050 152
Accrued expense	4 546 427	5 078 082
Deposits received	794 615	799 001
Other payables	21 411	29 587
Unidentified direct deposits	872 579	641 696
Retention monies	1 493 370	465 416
SALA Pension Fund	3 005 133	3 297 603
Human Settlements	3 225 823	1 670 554
	<b>43 072 083</b>	<b>36 159 764</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014
<b>16. Unspent conditional grants and receipts</b>		
Unspent conditional grants and receipts comprises of:		
<b>Unspent conditional grants and receipts</b>		
IDC Chicory	1 175 026	1 260 627
DWAF: ACIP	2 335	2 334
SBDM: Drought Relief grants	34 222	34 222
MIG	4 394 669	6
MSIG	-	-
LED: Essential Oils	348 697	727 993
LED: Section Assistant	528	30 377
LED: Vuna Awards	2 839	9 469
EC Sports/Arts and culture	2 950 743	2 022 336
LG SETA	14 192	328 409
SBDM: Fire Officers grant	-	249 227
CBDM: IDP Dev Support	18 029	18 029
DME	506	38 506
SBDM: IDP Support	(15 468)	(15 468)
EPWP: Public Works	(7 630)	(8 839)
FMG	-	25
LED: Initiative	127 058	-
Flood Disaster Damage grant	(54 706)	(54 706)
EC: Eco: 2nd Place Greenest Town	166 280	-
SBDM: Drinking Water Safety Plan	14 641	14 641
SBDM: T&C Brickworks Project	10 485	39 487
SBDM: Drought Relief	-	-
DWAF: Water and Sewer Audit	192	1 850
SBDM: South Seas Poultry Project	-	146 180
IDC: Ndlambe Economic Dev Infra	-	-
	<b>9 182 638</b>	<b>4 844 705</b>

The liability relates to unfulfilled conditions and other contingencies attached to government assistance that has been recognised. Expenditure on grants was made in terms of the relevant conditions and no grant funding was withheld during the year

See note 23 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

### 17. VAT payable

VAT refunds payable	4 999 049	3 165 630
---------------------	-----------	-----------

### 18. Financial liabilities - DBSA

<b>At amortised cost</b>		
DBSA Loan 102198	1 681 127	3 193 347
10 years @ 10.89%		
DBSA Loan 101161/2	6 015 077	6 309 339
20 years @ 12.34%		
DBSA Loan 13478/101	3 183 327	3 492 670
20 years @ 17%		
DBSA Loan 101855	1 322 598	2 526 061
10 years @ 9.68%		
DBSA Loan 102557/1	7 572 622	8 151 876
15 years @ 8.81%		
	<b>19 774 751</b>	<b>23 673 293</b>



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 18. Financial liabilities - DBSA (continued)

<b>Total other financial liabilities</b>	<b>19 774 751</b>	<b>23 673 293</b>
<b>Non-current liabilities</b>		
At amortised cost	15 404 512	19 777 482
<b>Current liabilities</b>		
At amortised cost	4 370 239	3 895 811

### 19. Employee benefit obligations

#### Defined benefit plan

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

#### Post retirement medical aid plan

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Opening balance of defined benefit obligation-wholly unfunded	(47 694 000)	(50 794 000)
Benefits paid During the year	1 494 000	1 427 000
Current service costs*	(2 730 000)	(3 214 000)
Interest Costs*	(4 321 000)	(4 078 000)
Actuarial Loss/(Gain)	3 886 000	8 965 000

#### Present value of the defined benefit obligation-wholly unfunded

**(49 365 000) (47 694 000)**

Non-current liabilities	(47 775 000)	(46 181 000)
Current liabilities	(1 590 000)	(1 513 000)
	<b>(49 365 000)</b>	<b>(47 694 000)</b>

The municipality's based estimate of the contributions expected to be paid to the plan after reporting date is 2015: R1 590 000.  
(2014: R1 513 000)

#### Net expense recognised in the statement of financial performance - Employee costs

Current service cost	2 730 000	3 214 000
Interest cost	4 321 000	4 078 000
Actuarial (gains) / losses	(3 886 000)	(8 965 000)
Benefits paid	(1 494 000)	(1 427 000)
	<b>1 671 000</b>	<b>(3 100 000)</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	Yield Curve	8.94 %
Expected rate of return on assets	Difference between Nominal and Yield Curve	7.05 %
Expected rate of return on reimbursement rights	CPI + 1%	8.05 %
Actual return on reimbursement rights	Yield Curve Based	0.82 %

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 19. Employee benefit obligations (continued)

#### Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation	57 856 000	42 530 000
Effect on Interest costs	5 397 000	3 933 000
Effect on Service costs	3 736 000	2 408 000

Amounts for the current and previous four years are as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	(49 365 000)	(47 694 000)	(50 794 000)	(49 642 001)	(44 409 051)



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

### 20. Provisions

#### Reconciliation of provisions - 2015

	Opening Balance	Fair Value adjustment	Current service costs	Interest costs	Benefits paid	Actuarial gain	Total
Environmental rehabilitation	21 426 678	(2 804 951)	-	-	-	-	18 621 727
Long service awards	5 503 000	-	683 000	441 000	(230 312)	(867 688)	5 529 000
	<b>26 929 678</b>	<b>(2 804 951)</b>	<b>683 000</b>	<b>441 000</b>	<b>(230 312)</b>	<b>(867 688)</b>	<b>24 150 727</b>

#### Reconciliation of provisions - 2014

	Opening Balance	Fair Value adjustment	Current service costs	Interest costs	Benefits paid	Actuarial gain	Total
Environmental rehabilitation	19 414 544	2 012 134	-	-	-	-	21 426 678
Long service awards	4 256 082	-	213 974	535 178	(619 000)	1 116 766	5 503 000
	<b>23 670 626</b>	<b>2 012 134</b>	<b>213 974</b>	<b>535 178</b>	<b>(619 000)</b>	<b>1 116 766</b>	<b>26 929 678</b>

Non-current liabilities  
Current liabilities

22 454 111	25 794 329
1 696 616	1 135 349
<b>24 150 727</b>	<b>26 929 678</b>

#### Environmental rehabilitation provision

Ndlambe Municipality operates 10 landfill sites which by law will have to be permitted and closed in accordance with the "Minimum Requirements" and in accordance with the Environment Conservation Act. (Act 73 of 1989). Closure will involve, inter alia, the application of final cover, topsoiling, vegetating, drainage maintenance and leachate management.

Closure of the landfill sites are dependant on a number of external factors, such as amongst others, waste minimisation and population changes.

## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

#### 20. Provisions (continued)

##### Long service awards

Ndlambe offers long service bonus awards to active employees, the amount of which is dependent on the annual salary of the employee. Councillors are not eligible for this benefit and were not taken into account. The award comprises of percentage of their annual salary as well as additional leave days to employees at the end of the specified time period.

#### 21. Property rates

##### Rates received

Property rates	68 591 944	58 501 296
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##### Valuations

All	12 714 132 910	11 923 847 933
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Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an monthly basis.

#### 22. Service charges

Sale of electricity	51 136 163	45 181 990
Sale of water	26 159 037	18 397 835
Sewerage and sanitation charges	7 211 264	5 889 748
Refuse removal	11 610 448	10 879 478
Other service charges	149 778	475 520
	<b>96 266 690</b>	<b>80 824 571</b>



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 23. Government grants and subsidies

#### Revenue - Conditions met on operating portion of grant expenditure

Unconditional Equitable Share Grant	57 263 000	56 552 421
Unconditional Equitable share: Cllrs&Ward Contributions	3 447 000	2 730 000
Financial Management Grant	1 447 622	1 275 281
Municipal Systems Improvement Grant(MSIG)	934 000	866 502
Sarah Baartman District Municipality(SBDM) Grants	-	267 166
Department of Water Affairs Grants (DWA)	-	42 923
LGSETA Grants	351 825	120 863
Municipal Infrastructure Grant	1 077 871	998 150
Health subsidies	1 303 820	1 321 066
LED Grants	1 635 644	2 886 500
Library Grant (DESRAC)	1 252 508	994 928
Accelerated Community Infrastructure Programme	214 024	-
SBM Unconditional Grant Revenue	115 550	-

**69 042 864 68 055 800**

#### Revenue - Conditions met on capital portion of grants

Financial Management Grant (Capital)	352 403	633 013
Municipal Systems Improvement Grant(MSIG)(Capital)	-	23 498
Sarah Baartman District Mun(SBDM) Grants(Capital)	748 486	52 468
Department of Water Affairs Grants (DWA)(Capital)	-	16 384
Municipal Infrastructure Grant (Capital)	24 099 475	33 260 348
Intergrated National Elect Grant(INEG)(Capital)	1 038 000	4 461 494
Library Grant (DESRAC) (Capital)	556 085	1 736 290
Accelerated Community Infrastructure Prog(Capital)	7 564 622	1 745 902
Disaster Floods Grant (Capital)	-	7 752 783
Expanded Public Works Prog Grant (EPWP) (Capital)	998 792	982 390
Ec Econ Greenest Town	133 720	-

**35 491 583 50 664 570**

**104 534 447 118 720 370**

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	43 689 587	58 830 252
Unconditional grants received	56 929 809	58 780 392
	<b>100 619 396</b>	<b>117 610 644</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In the current financial year, an amount of R4,2 million was withheld from Equitable Share, this was due to a misclassification error made in the prior period published Annual Financial Statements. This classification error has been corrected in the 2014/15 comparative figures as disclosed in note 46, as the grant was fully utilised as at 30 June 2014.

#### IDC Chicory

Balance unspent at beginning of year	1 260 627	1 314 469
Current year receipts	-	-
Conditions met - transferred to revenue	(85 601)	(53 842)
	<b>1 175 026</b>	<b>1 260 627</b>

Conditions still to be met - remain liabilities (see note 15). Funding conditions were for the production of chicory, the funding is used for that as we do soil preparations for the upcoming chicory planting season that will be in October.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 23. Government grants and subsidies (continued)

#### DWA (ACIP)

Balance unspent at beginning of year	2 334	-
Current-year receipts	7 778 646	1 748 236
Conditions met - transferred to revenue	(7 778 645)	(1 745 902)
	<b>2 335</b>	<b>2 334</b>

Conditions still to be met - remain liabilities (see note 16)

#### SBDM: Drought Relief grants

Balance unspent at beginning of year	34 222	50 606
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(16 384)
	<b>34 222</b>	<b>34 222</b>

Conditions still to be met - remain liabilities (see note 16)

#### MIG

Balance unspent at beginning of year	6	-
Current-year receipts	30 799 000	25 853 000
Conditions met - transferred to revenue	(25 175 689)	(25 497 578)
Unspent amount withheld by National Treasury	-	(355 416)
Retention	(1 228 648)	-
	<b>4 394 669</b>	<b>6</b>

Conditions still to be met - remain liabilities (see note 16)

#### MSIG

Balance unspent at beginning of year	-	74 714
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(890 000)
Unspent amount withheld by National Treasury	-	(74 714)
	<b>-</b>	<b>-</b>

Conditions on MSIG grant are met.

#### LED: Essential Oils

Balance unspent at beginning of year	727 993	1 193 849
Current-year receipts	-	-
Conditions met - transferred to revenue	(379 296)	(465 856)
	<b>348 697</b>	<b>727 993</b>

Conditions still to be met - remain liabilities (see note 16)

Funding conditions were to plant essential Oils with special focus on Rose Geranium, Chamomile and Lavender, however this proved to be un-viable and change of scope was requested from the funder ( DEDEA) for a more economic viable activity, chicory was identified and as in the same way with IDC Chicory, funding will be used in soil preparations for the upcoming planting season of chicory in October.



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand 2015 2014

### 23. Government grants and subsidies (continued)

#### LED: Section Assistant

Balance unspent at beginning of year	30 377	87 990
Current-year receipts	112 000	117 275
Conditions met - transferred to revenue	(141 849)	(174 888)
	<b>528</b>	<b>30 377</b>

Conditions still to be met - remain liabilities (see note 16)

#### LED: Vuna Awards

Balance unspent at beginning of year	9 469	9 469
Current-year receipts	-	-
Conditions met - transferred to revenue	(6 630)	-
	<b>2 839</b>	<b>9 469</b>

Conditions still to be met - remain liabilities (see note 16)

The conditions were that funds are spent on SMME / Enterprise development targeting women business enterprises. The remain balance will be spent on sourcing fabric for the sewing pro

#### EC Sports/Arts and Culture

Balance unspent at beginning of year	2 022 336	2 059 478
Current-year receipts	2 737 000	2 737 000
Conditions met - transferred to revenue	(1 808 593)	(2 774 142)
	<b>2 950 743</b>	<b>2 022 336</b>

Conditions still to be met - remain liabilities (see note 16)

#### LG SETA

Balance unspent at beginning of year	328 409	394 796
Current-year receipts	37 608	54 476
Conditions met - transferred to revenue	(351 825)	(120 863)
	<b>14 192</b>	<b>328 409</b>

Conditions still to be met - remain liabilities (see note 16)

#### SBDM: Fire Officers grant

Balance unspent at beginning of year	249 227	415 577
Current-year receipts	375 000	375 000
Conditions met - transferred to revenue	(624 227)	(541 350)
	<b>-</b>	<b>249 227</b>

Conditions still to be met - remain liabilities (see note 16)

#### SBDM: IDP Dev Support

Balance unspent at beginning of year	18 029	83 109
Conditions met - transferred to revenue	-	(65 080)
	<b>18 029</b>	<b>18 029</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 23. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 16)

#### DME

Balance unspent at beginning of year	38 506	282 802
Current-year receipts	1 000 000	4 500 000
Conditions met - transferred to revenue	(1 038 000)	(4 461 494)
Unspent amount withheld by National Treasury	-	(282 802)
	<b>506</b>	<b>38 506</b>

Conditions still to be met - remain liabilities (see note 16)

#### SBDM: IDP Support

Balance unspent at beginning of year	(15 468)	-
Current-year receipts	-	205 000
Conditions met - transferred to revenue	-	(220 468)
	<b>(15 468)</b>	<b>(15 468)</b>

Conditions still to be met - remain liabilities (see note 16).

#### EPWP: Public Works

Balance unspent at beginning of year	(8 839)	(26 449)
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(998 791)	(982 390)
	<b>(7 630)</b>	<b>(8 839)</b>

Conditions still to be met - remain liabilities (see note 16).

#### FMG

Balance unspent at beginning of year	25	158 319
Current-year receipts	1 800 000	1 750 000
Conditions met - transferred to revenue	(1 800 025)	(1 908 294)
	<b>-</b>	<b>25</b>

The FMG grant conditions are met

#### LED: Initiative

Balance unspent at beginning of year	-	-
Current-year receipts	350 000	-
Conditions met - transferred to revenue	(222 942)	-
	<b>127 058</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 16).

Funding was for economic initiatives that seek to improve the livelihood and economic material of the local people. The funding remaining will be used to used in line with this condition, considering that it is such initiatives that create employment in the area.



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 23. Government grants and subsidies (continued)

#### Flood Disaster Damage grant

Balance unspent at beginning of year	(54 706)	3 604 387
Current-year receipts	-	15 353 000
Conditions met - transferred to revenue	-	(15 407 706)
Unspent amount withheld by National Treasury	-	(3 604 387)
	<b>(54 706)</b>	<b>(54 706)</b>

Conditions still to be met - remain liabilities (see note 16).

#### EC: Eco 2nd Place Greenest Town

Balance unspent at beginning of year	-	-
Current-year receipts	300 000	-
Conditions met - transferred to revenue	(133 720)	-
	<b>166 280</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 16).

#### SBDM: Drinking Water Safety Plan

Balance unspent at beginning of year	14 641	48 727
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(34 086)
	<b>14 641</b>	<b>14 641</b>

Conditions still to be met - remain liabilities (see note 16).

#### SBDM: T&C Brickworks Project

Balance unspent at beginning of year	39 487	-
Current-year receipts	-	250 000
Conditions met - transferred to revenue	(29 002)	(210 513)
	<b>10 485</b>	<b>39 487</b>

Conditions still to be met - remain liabilities (see note 16)

Bricks Project/ T&C Bricks, the funding was for the sourcing of the brick machinery which was acquired and the balance was for inputs like crusher dust, sand and cement. The balance is being used for this purpose.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 23. Government grants and subsidies (continued)

#### DWAF: Water and Sewer Audit

Balance unspent at beginning of year  
Conditions met - transferred to revenue

1 850

(1 658)

1 000 000

(998 150)

**192**

**1 850**

Conditions still to be met - remain liabilities (see note 16).

#### SBDM: South Seas Poultry Project

Balance unspent at beginning of year  
Current-year receipts  
Conditions met - transferred to revenue

146 180

-

231 397

(146 180)

(85 217)

**-**

**146 180**

Conditions on South Seas grant are met.

#### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (2014/2015), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

### 24. Other income

Admission fees  
Building plan fees  
Camping fees  
Encroachments  
Event application fees  
Sundry fees  
Sale of game  
Insurance claim refund  
Refuse bags sold  
River usage  
Sundry income  
Subdivisions  
Town planning income  
Valuation rolls

19 629

1 036 886

157 996

2 485

13 673

20 220

450 541

248 869

19 503

182 233

389 997

51 870

171 030

51 865

38 247

839 508

170 868

2 490

8 143

13 278

-

435 971

16 139

129 080

367 423

41 717

336 038

74 147

**2 816 797**

**2 473 049**

### 25. Investment revenue

#### Interest revenue

Bank  
Interest charged on trade and other receivables

1 630 826

5 785 325

1 480 933

4 955 001

**7 416 151**

**6 435 934**



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

### 26. Revenue

	2015	2014
Service charges	96 266 690	80 824 571
Property rates	68 591 944	58 501 296
Government grants & subsidies	104 534 447	118 720 370
Rental of facilities and equipment	1 192 233	1 068 217
Burial services	179 577	192 000
Licences and permits	3 957 916	3 498 356
Rental income	4 038	6 044
Other income	2 816 797	2 473 049
Interest received - investment	7 416 151	6 435 934
Public contributions and donations	33 926 611	-
Fines, Penalties and Forfeits	606 110	432 880
	<b>319 492 514</b>	<b>272 152 717</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	96 266 690	80 824 571
Burial services	179 577	192 000
Rental of facilities and equipment	1 192 233	1 068 217
Licences and permits	3 957 916	3 498 356
Rental income	4 038	6 044
Other income	2 816 797	2 473 049
Interest received - investment	7 416 151	6 435 934
	<b>111 833 402</b>	<b>94 498 171</b>

The amount included in revenue arising from non-exchange transactions is as follows:

<b>Taxation revenue</b>		
Property rates	68 591 944	58 501 296
<b>Transfer revenue</b>		
Government grants & subsidies	104 534 447	118 720 370
Public contributions and donations	33 926 611	-
Fines, Penalties and Forfeits	606 110	432 880
	<b>207 659 112</b>	<b>177 654 546</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 27. Employee related costs

Basic	63 354 366	57 503 911
Bonus	311 336	170 777
Allowances	3 102 437	2 595 238
Post-employment benefits	13 066 610	8 473 927
Medical aid - company contributions	6 761 734	5 929 342
UIF	629 692	849 128
WCA	292 926	381 422
SDL	791 859	714 946
Leave pay provision charge	17 660	681 094
Overtime payments	7 233 434	6 425 827
Car allowance	2 692 424	2 541 634
Housing benefits and allowances	360 194	360 639
Group insurance	321 827	449 762
Industrial levy	39 899	35 433
Casuals	925 294	2 112 505
	<b>99 901 692</b>	<b>89 225 585</b>

### Remuneration of Municipal Manager

Annual Remuneration	883 767	853 711
Car Allowance	175 986	175 980
Performance Bonuses	66 645	37 439
Telephone allowance	15 535	15 540
Other (Allowance, UIF, Medical, Pension, etc)	189 972	189 205
13th Cheque	67 399	65 332
Leave pay	71 259	54 605
	<b>1 470 563</b>	<b>1 391 812</b>

### Remuneration of Chief Finance Officer

Annual Remuneration	672 391	632 351
Car Allowance	180 861	180 861
Performance Bonuses	11 104	10 396
Telephone allowance	21 304	21 304
Other (Allowance, UIF, Medical, Pension, etc)	227 776	181 842
13th Cheque	50 775	49 091
Leave pay	50 997	72 266
	<b>1 215 208</b>	<b>1 148 111</b>

### Remuneration of the Director: Infrastructural Development

Annual Remuneration	369 218	546 673
Car Allowance	164 000	231 000
Performance Bonuses	20 000	31 115
Telephone allowance	27 000	30 000
Other (Allowance, UIF, Medical, Pension, etc)	168 767	211 129
13th Cheque	40 156	62 187
Leave pay	18 360	20 754
	<b>807 501</b>	<b>1 132 858</b>

### Remuneration of the Director: Corporate Services

Annual Remuneration	630 331	655 172
Car Allowance	144 000	144 000
Performance Bonuses	20 027	18 754



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014
<b>27. Employee related costs (continued)</b>		
Telephone allowance	12 000	12 000
Other (Allowance, UIF, Medical, Pension, etc)	166 625	176 568
13th Cheque	47 837	47 107
Leave pay	46 515	58 240
	<b>1 067 335</b>	<b>1 111 841</b>
<b>Remuneration of the Director: Community and Protection Services</b>		
Annual Remuneration	578 204	604 380
Car Allowance	180 000	180 000
Performance Bonuses	29 990	37 448
Telephone allowance	24 000	22 000
Other (Allowance, UIF, Medical, Pension, etc)	173 439	163 423
13th Cheque	43 531	70 170
Leave pay	44 544	46 341
	<b>1 073 708</b>	<b>1 123 762</b>
<b>28. Remuneration of councillors</b>		
Councillors (refer to table below)	5 608 728	5 173 279
<b>Councillors</b>		
Executive Mayor	760 179	719 562
Speaker	336 946	317 012
Executive Member: S.B Funde	316 158	291 845
Executive Member: M. Mateti	316 158	291 845
Executive Member: L.R Schenk	317 364	216 339
K.C Ncamiso	295 964	276 855
G.G Cannon	236 375	216 339
T.L.E Khoathani	235 506	215 801
Z. Ngxingo	235 506	215 801
N.T Donile	236 375	216 339
J.P Guest	236 375	216 339
T. Mazana	236 375	216 339
J.M Cowley	236 375	-
M.J Tarentaal	236 375	216 339
S. Venene	236 097	215 955
N. Xhasa	236 375	216 339
C. Meterlekamp	236 375	216 339
P.P Faxi	236 157	216 339
M.E Msimang	235 506	215 048
K. Daweti	197 619	-
R.K Purdon	-	268 199
T. Stander	-	198 308
	<b>5 610 160</b>	<b>5 173 282</b>

### In-kind benefits

The Mayor is full-time. He is provided with an office and secretarial support at the cost of the Council.

The Mayor has the use of a separate Council owned vehicle for official duties.

## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	34 528 105	37 183 028
Investment property	534 670	51 740
Intangible assets	146 617	88 360
	<b>35 209 392</b>	<b>37 323 128</b>
<b>30. Finance costs</b>		
Non-current borrowings	2 461 170	2 965 770
Current bank account interest expense	-	451 229
	<b>2 461 170</b>	<b>3 416 999</b>
<b>31. Debt impairment</b>		
Contribution to debt impairment provision	16 731 643	15 553 627
<b>32. Auditors' remuneration</b>		
Fees	4 297 564	3 771 560
<b>33. Bulk purchases</b>		
Electricity	36 222 137	31 925 730
Water	10 535 831	9 156 859
	<b>46 757 968</b>	<b>41 082 589</b>
<b>34. Grants and subsidies paid</b>		
Other subsidies		
Grants and subsidies paid	856 424	823 190
Grants in Aid	8 870	-
	<b>865 294</b>	<b>823 190</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014
<b>35. General expenses</b>		
Administration	51 348	122 177
Advertising	170 295	192 809
Auditors remuneration	4 297 564	3 771 560
Bank charges	367 066	610 552
Boat decals	7 018	46 251
Bursaries	79 320	83 036
Campaigns	175 555	52 009
Chemicals	1 316 852	1 017 253
Commission paid	419 495	337 928
Communication programmes	9 144	25 530
Consulting and professional fees	884 014	1 097 907
Donations	134 656	61 913
Election expenses	945	72 171
Electricity	8 467 339	7 752 336
Entertainment	47 918	99 305
Environmental levy expense	642 761	351 729
Flowers	1 134	700
Fuel and oil	4 658 640	5 485 394
Hiring expenses	42 986	526 878
IT support	45 338	39 590
Insurance	1 864 104	1 917 384
Job creation	1 879 704	569 603
LED SMME Support	744 503	366 074
Motor vehicle licensing	287 922	244 958
Other expenses	1 205 418	1 670 551
PMS review process	99 219	45 023
Postage and courier	369 080	527 299
Printing and stationery	970 288	930 993
Publicity	-	3 160
Refuse	81 787	398 472
Security (Guarding of municipal property)	1 054 628	1 021 570
Sewerage and waste disposal	229 905	140 184
Special Programmes	175 501	50 718
Staff welfare	42 630	32 187
Stock/Fuel loss	60 783	380 850
Subscriptions and membership fees	996 228	87 259
Telephone and fax	1 832 807	1 697 928
Tourism development	436 000	371 494
Training	1 201 345	823 712
Transport (Workshop)	79 983	88 610
Transport and freight	13 366	2 516
Travel - local	1 763 818	2 469 203
Uniforms	862 911	800 771
Valuation expenses	251 018	1 257 085
Water services authority expenditure	1 160 415	2 172 500
Water testing	82 922	192 908
	<b>39 565 673</b>	<b>40 010 040</b>
<b>36. Fair value adjustments</b>		
Other financial assets		
• Old Mutual shares	10 290	27 195
• Other financial assets (NRB FV Adj)	-	355 583
Other financial liabilities		
• Other financial liabilities (Held for trading)	2 804 952	(2 012 135)
	<b>2 815 242</b>	<b>(1 629 357)</b>



## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014
<b>37. Cash generated from operations</b>		
Surplus	37 595 978	12 916 719
<b>Adjustments for:</b>		
Depreciation and amortisation	35 209 392	37 323 128
Loss (gain) on sale of assets and liabilities	501 924	-
Fair value adjustments	(2 815 242)	1 629 357
Impairment deficit	195 312	-
Debt impairment	16 731 643	15 553 627
Movements in retirement benefit assets and liabilities	1 671 000	(3 100 000)
Movement in provisions	36 291	(689 738)
Receipt of assets - Non-exchange	(33 926 611)	-
<b>Changes in working capital:</b>		
Inventories	(59 182)	184 938
Receivables from non-exchange transactions	(11 415 405)	(6 709 487)
Decrease/(increase) in receivables from exchange transactions	(16 751 259)	(1 677 372)
(Increase)/Decrease in Other receivables from exchange transactions	(10 290)	(50 996)
Payables	6 912 319	8 847 933
(Decrease)/Increase in VAT	1 833 419	(848 011)
Unspent conditional grants and receipts	4 337 933	(10 796 205)
Consumer deposits	65 800	(974)
(Decrease)/Increase in Lease Liability	(9 694)	44 671
	<b>40 103 328</b>	<b>52 627 590</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014
<b>38. Commitments</b>		
<b>Authorised capital expenditure</b>		
Approved and contracted		
• Property, plant and equipment	29 679 257	-
Authorised by accounting officer, but not yet contracted for		
• Property, plant and equipment	4 394 669	-
<b>Total capital commitments</b>		
Approved and contracted	29 679 257	-
Authorised by accounting officer, but not yet contracted for	4 394 669	-
	<b>34 073 926</b>	-

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

### Operating leases - as lessee (expense)

<b>Minimum lease payments due</b>		
- within one year	168 225	501 968
- in second to fifth year inclusive	183 206	168 225
	<b>351 431</b>	<b>670 193</b>

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

### Operating leases - as lessor (income)

<b>Minimum lease payments due</b>		
- within one year	418 958	451 178
- in second to fifth year inclusive	1 309 132	1 583 361
- later than five years	338 436	483 166
	<b>2 066 526</b>	<b>2 517 705</b>

Certain of the municipality's buildings are held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 20 years. There are no contingent rents receivable.

## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

#### 39. Contingent liabilities

Est. Late Bethe vs Ndlambe LM- Defamation claim - Legal proceedings have been instituted against the municipality with regards to a defamation claim instituted by the Est Late of Mr. Bethe. The claim against the municipality is for R1 000 000 although the outflow is not considered likely due to the claimant having passed away.

Badenhorst vs Ndlambe LM - A legal claim was instituted against the municipality as the claimant maintains that he is not provided with access to his plot by the municipality. The claim was is to the extent of R800 000 and there is no indication of the timing of the potential outflow.

Ndanza Pty(Ltd) vs Ndlambe LM - The claimant has instituted legal proceedings against the municipality to re-institute tender processes. The financial effect of this cannot be estimated.

Campbell and Shelton vs Ndlambe LM- The claimant has instituted proceedings to suspend all approvals for building development on wetland area in Port Alfred. The financial effect of this cannot be determined.

KOSRA vs Ndlambe LM - Legal proceedings have been instituted against the municipality regarding the state of the landfill site at Kenton-on-Sea and to put measures in place to rectify the state of the landfill. The financial effect of this cannot be estimated as the financial claim has not been made.

Litigation is in the process against the municipality relating to various matters. The total estimated potential liability to the municipality at 30 June 2015 is R1 800 000 (2014: R3 300 000).

#### Contingent assets

Legal proceedings have been ongoing in the last number of years relating to royalties payable to council for the Kowie Quarry. The proceedings however have not yielded any outcome or resulted in any financial inflows to the municipality. As the matter is still sub judice any amount receivable cannot be assessed as being virtually certain and therefore the amount has not been disclosed as a contingent asset.

#### 40. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

#### 41. Unauthorised expenditure

Opening balance	16 435 547	-
Unauthorised expenditure incurred during the year	28 009 385	16 435 547
	<b>44 444 932</b>	<b>16 435 547</b>



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 41. Unauthorised expenditure (continued)

EXPENDITURE PER VOTE	2015 Actual	2015 Budget	2015 Variance	2015 Unauthorised
EXECUTIVE AND COUNCIL	38 632 375	27 750 250	10 882 125	10 882 125
MUNICIPAL MANAGER	8 501 006	8 155 065	345 941	345 941
FINANCE BUDGET AND TREASURY	14 940 018	20 541 976	(5 601 958)	-
FINANCE - SUPPLY CHAIN	1 237 850	1 275 364	(37 514)	-
CORPORATE SERVICES	9 328 207	9 119 618	208 589	208 589
WASTE MANAGEMENT	6 234 538	26 029 274	(19 794 736)	-
COMMUNITY AND SOCIAL SERVICES	28 763 447	33 240 962	(4 477 515)	-
HOUSING	6 165 554	6 828 211	(662 657)	-
ELECTRICITY	60 198 143	68 846 125	(8 647 982)	-
WATER	38 853 701	39 684 173	(830 472)	-
WASTE WATER MANAGEMENT	18 682 382	16 911 917	1 770 465	1 770 465
TECHNICAL	50 359 313	35 557 048	14 802 265	14 802 265
	-	-	-	-
	<b>281 896 534</b>	<b>293 939 983</b>	<b>(12 043 449)</b>	<b>28 009 385</b>

EXPENDITURE PER VOTE	2014 Actual	2014 Budget	2014 Variance	2014 Unauthorised
EXECUTIVE AND COUNCIL	30 792 277	30 328 233	464 044	464 044
MUNICIPAL MANAGER	8 012 036	10 181 837	(2 169 801)	-
FINANCE BUDGET AND TREASURY	15 287 658	20 995 361	(5 707 703)	-
FINANCE - SUPPLY CHAIN	936 380	1 174 120	(237 740)	-
CORPORATE SERVICES	10 461 691	11 547 755	(1 086 064)	-
WASTE MANAGEMENT	11 225 671	21 572 116	(10 346 445)	-
COMMUNITY AND SOCIAL SERVICES	26 067 201	29 055 936	(2 988 735)	-
HOUSING	5 119 878	6 171 239	(1 051 361)	-
ELECTRICITY	52 548 598	56 962 046	(4 413 448)	-
WATER	34 828 646	36 105 572	(1 276 926)	-
WASTE WATER MANAGEMENT	14 605 595	19 406 645	(4 801 050)	-
TECHNICAL	49 350 364	33 378 861	15 971 503	15 971 503
	-	-	-	-
	<b>259 235 995</b>	<b>276 879 721</b>	<b>(17 643 726)</b>	<b>16 435 547</b>

The above unauthorised expenditure has been calculated on the determination of a "vote" as defined the MFMA which states - "vote" means -

- (a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- (b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

### 42. Irregular expenditure

Opening balance	158 652 204	79 405 021
Add: Irregular Expenditure - current year (Supply Chain Management regulations not adhered to)	39 666 606	79 247 183
	<b>198 318 810</b>	<b>158 652 204</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 42. Irregular expenditure (continued)

#### Details of irregular expenditure – current year

Supply Chain Management Regulation and/or Policy deviations	Disciplinary steps taken/criminal proceedings Items have been referred to MPAC for investigation and the need for criminal proceedings to be determined	37 555 754
- Lack of supportin documentation	Goods and/or services were received in all instances and none of these payments were made in vain.	
- Deviations not in accordance with S36 of SCM regulations		

### 43. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	870 662	335 486
Current year subscription / fee	1 029 231	892 489
Amount paid - current year	(900 898)	(357 313)
	<b>998 995</b>	<b>870 662</b>

#### Non-compliance with MFMA

During the year the following instance of non-compliance with the MFMA occurred:

- Suppliers not paid in 30 days;
- Reporting to Organisations of State & AGSA not submitted within timeframes;
- Spending without council approved budgeted;
- Not adhering SCM regulations;
- Systems and Procedures not effective and efficient; and
- Staff not reaching the required competencies;
- Systems not established in terms of Section 44 to resolve disputes with organs of State

#### Audit fees

Opening balance	120 682	-
Write off	(103 795)	-
Expense - current year	6 481 287	4 558 286
Expense paid	(6 048 495)	(4 437 605)
	<b>449 679</b>	<b>120 681</b>

#### PAYE and UIF

Amount paid - current year	9 944 987	9 118 864
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#### Pension and Medical Aid Deductions

Amount paid - current year	26 135 432	23 012 703
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#### VAT

VAT payable	4 999 049	3 165 630
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VAT output payables and VAT input receivables are shown in note 17.

All VAT returns have been submitted by the due date throughout the year.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 43. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

Councillors did not have any arrear accounts outstanding or outstanding for more than 90 days at 30 June 2015:

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
S Venene	538	3 183	3 721
C I Cannon	1 555	4 043	5 598
P Faxi	296	160	456
E Khoathani	964	5 444	6 408
M Msimang	361	2 218	2 579
T Stander	2 907	-	2 907
	<b>6 621</b>	<b>15 048</b>	<b>21 669</b>

#### Supply chain management regulations - Deviations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### Incident

Section 36(1)(a)(i) - Emergency	411 386	-
Section 36(1)(a)(ii) - Sole Supplier	435 047	-
Section 36(1)(a)(v) - Impractical / Impossible (other)	29 654 195	31 145 337
	<b>30 500 628</b>	<b>31 145 337</b>

### 44. Related parties

#### Related party balances

##### Receivables

Department of Roads & Public Works	3 872 202	1 002 686
Department of Health	656 970	113 393
Department of Agriculture	84 041	6 113
Department of Education	477 715	259 029

#### Related party transactions

##### Revenue

Department of Health	565 436	534 337
Provincial Department of Roads & Public Works	789 547	1 476 465
National Department of Public Works	1 083 893	1 059 039
Department of Education	308 724	332 546
Department of Agriculture	95 163	95 455



## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

#### 45. Changes in accounting policy

Reconciliation of effect of accounting policy changes on accumulated surplus

Accumulated surplus as previously reported	615 120 511
Heritage Assets recognition - GRAP 103	16
Effect of prior period errors refer to note 46	<u>41 134 635</u>
Accumulated surplus restated	<u>656 255 162</u>

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of an accounting policy based on the following standards:

- GRAP 103 - Heritage Assets
  - The Transitional provisions allowed for Heritage Assets to be recognised at Provisional amounts for the 3 years ending 30 June 2015. The Heritage assets have been valued at their market values, although nominal, as there are no market values for Heritage assets as these areas/assets are not tradeable on an open market.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 46. Prior period errors

During the 2014/15 financial year, the comparative figures for the 2013/14 financial year have been restated in accordance with GRAP 3. The variances in terms of the Statement of Financial Position as well as Statement of Financial Performance have been disclosed below along with reasons for the prior period errors.

The correction of the error(s) results in adjustments as follows

#### 2014 Closing balance / 2015 Opening balances

Statement of Financial Position	Previously reported	Adjustment	As restated	Reference
Inventories	25 564 152	(24 764 401)	799 751	1
Receivables from Non-exchange Transactions	12 828 035	(1 174 238)	11 653 797	2
Receivables from Exchange Transactions	13 175 684	(200 662)	12 975 022	3
Cash and Cash Equivalents	21 278 517	(7 326)	21 271 191	4
Investment property	36 559 250	121 910 069	158 469 319	5
Property, plant and Equipment	682 306 550	(74 713 204)	607 593 346	6
Intangible assets	227 671	149 901	377 572	7
Payables	(29 609 923)	(6 549 842)	(36 159 765)	8
Unspent Conditional grants and receipts	(35 932 719)	31 088 014	(4 844 705)	9
VAT Payable	(2 799 429)	(366 201)	(3 165 630)	10
Loans from Economic Entities	(355 583)	355 583	-	11
Employee benefit obligation - current	(1 669 000)	156 000	(1 513 000)	12
Provisions - Current	(761 000)	(374 349)	(1 135 349)	13
Lease Liability	-	(44 671)	(44 671)	14
Employee benefit obligation - Non-current	(53 915 000)	7 734 000	(46 181 000)	15
Provisions - Non-current	(14 303 829)	(11 490 500)	(25 794 329)	16
Other Liability 3	(27 572)	27 572	-	-
Accumulated surplus	(627 436 119)	(41 735 745)	(669 171 864)	17
		-		

#### 1- Inventories - Statement of Financial Position

Previously reported 2014 balance	25 564 152
Derecognition of Housing Inventory relating to RDP Houses	(24 758 669)
Accrual adjustment	(5 732)
<b>Restated 2014 Closing balance</b>	<b>799 751</b>

Correction of prior period balance is due to housing inventory included, that were not assets of the municipality.

#### 2 - Receivables from non-exchange transactions - Statement of Financial Position

Previously reported 2014 balance	12 828 035
Re-classification of loans from other entities	(355 565)
Rates Billing Corrections	(818 673)
<b>Restated 2014 Closing balance</b>	<b>11 653 797</b>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014
<b>46. Prior period errors (continued)</b>		
<b>3 - Receivables from exchange transactions - Statement of Financial Position</b>		
Previously reported 2014 balance		13 175 684
Billing Cut-off corrections		133 195
Corrections of accounts incorrectly charged in prior year		(333 857)
<b>Restated 2014 Closing balance</b>		<b>12 975 022</b>
 <b>4 - Cash and cash Equivalents - Statement of Financial Position</b>		
Previously reported 2014 balance		21 278 517
Correction of interest accrual on investment		32 674
Effect of correction of an investment adjustment incorrectly posted		(40 000)
<b>Restated 2014 Closing Balance</b>		<b>21 271 191</b>
 <b>5 - Investment property - Statement of Financial Position</b>		
Previously reported 2014 balance		36 559 250
Correction of Depreciation not charged in prior year		(51 740)
Effect of Land relating to Investment property not previously recognised		24 289 963
Effect of Misallocation of Vacant land between PPE and Investment property		97 671 846
<b>Restated 2014 Closing balance</b>		<b>158 469 319</b>
 <b>6 - Property, plant and equipment - Statement of Financial Position</b>		
Previously reported 2014 balance		682 306 550
Correction of misallocated expenditure		(134 497)
Accrual adjustment		329 625
Effect of correction of unspent conditional grant funds incorrectly classified		(4 454 907)
Accrual Adjustment 2		279 019
Effect of recalculation of accumulated depreciation charges on opening balance		(1 673 002)
Recalculated depreciation effect on 2013/14 depreciation charges		(3 911 690)
Effect of Land relating to PPE not previously recognised		39 585 878
Reclassification of land to Investment property		(97 671 846)
Effect of derecognition of Buildings disposed prior to 2013/14		(7 297 793)
2013/14 Depreciation effect of derecognition of Buildings disposed in prior years		236 009
		<b>607 593 346</b>
 <b>7 - Intangible assets - Statement of Financial Position</b>		
Previously reported 2014 balance		227 671
Correction of misclassification of asset expenditure from IT Equipment		91 647
Effect of decreased depreciation charge for 2014		18 820
Correction of prior period		39 434
		<b>377 572</b>
 <b>8 - Payables - Statement of Financial Position</b>		
Previously reported 2014 balance		(29 609 923)
Lease Liability reclassification		44 671
Correction for NRB receipt misallocation		172 932
Effect of correction of incomplete accruals in prior year		(5 056 308)



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014
<b>46. Prior period errors (continued)</b>		
Correction of receipting against Unidentified deposits		(448 684)
Correction of retention allocation from Unspent Grants		713 510
Correction relating to unidentified deposits that should have been recognised previously		2 092 774
Reclassification of SALA Pension fund to Payables		(2 800 207)
Adjustment to SALA pension fund in line with court order		(497 395)
Adjustment to retention - expenditure not previously recognised as revenue		899 420
Correction of classification of Human Settlements Payable		(1 670 554)
		<b>(36 159 764)</b>
<b>9 - Unspent Conditional Grants and receipts - Statement of Financial Position</b>		
Previously reported 2014 balance		(35 932 719)
Effect of correction grant fund incorrectly classified		4 454 907
Effect of revenue recognised on grant expenditure		(168 752)
Correction of VAT portion on transfer of funds		644 030
Effect of correction of Grant revenue and expenditure classifications		(306 400)
Derecognition of Housing Inventory relating to RDP Houses		24 758 670
Correction of classification of Human Settlements Payable		1 670 554
Correction of Councillors contribution equitable share		284 748
Effect of correction of prior period revenue not recognised		3 116
Effect of MIG expenditure corrections		(292 859)
Effect of correction of an investment adjustment incorrectly posted		40 000
		<b>(4 844 705)</b>
<b>10 - VAT Payable - Statement of Financial Position</b>		
Previously reported 2014 balance		(2 799 429)
VAT effect of Billing Cut-off corrections		(37 594)
VAT effect of Accrual adjustments		392 390
Correction of misallocation of VAT on receipting		(644 031)
SARS Amount accrued		(76 966)
		<b>(3 165 630)</b>
<b>11 - Loans from economic Entities - Statement of Financial Position</b>		
Previously reported 2014 balance		(355 583)
Correction of NRB Loan		355 583
		<b>-</b>
<b>12 - Employee benefit Obligation (current) - Statement of Financial Position</b>		
Previously reported 2014 balance		(1 669 000)
Effect of Short term portion recalculation		156 000
		<b>(1 513 000)</b>
<b>13 - Provisions (current) - Statement of Financial Position</b>		
Previously reported 2014 balance		(761 000)
Effect of reclassification of short term portion of Provisions		569 197
Effect of correction of short term portion of Provision for rehabilitation		(943 546)
		<b>(1 135 349)</b>

## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in South African Rand	2015	2014
46. Prior period errors (continued)		
14 - Lease Liability (current) - Statement of Financial Position		-
Previously reported 2014 balance		-
Lease Liability reclassification		(44 671)
		<u>(44 671)</u>

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 46. Prior period errors (continued)

#### 15 - Employee benefit Obligation (Non- current) - Statement of Financial Position

Previously reported 2014 balance	(53 915 000)
Effect of change in short term portion	(156 000)
Effect of Restatement of Post retirement medical aid	7 890 000
	<b>(46 181 000)</b>

#### 16 - Provisions (Non-current) - Statement of Financial Position

Previously reported 2014 balance	(14 303 829)
Correction of long service awards balance at year end	(569 197)
Effect of Restatement of opening balances on Environmental rehabilitation provision	(12 652 922)
Effect of Restatement of 2013/14 movements on Environmental rehabilitation provision	(2 012 134)
Reclassification of SALA Pension fund to payables	2 800 207
Effect of correction of short term portion of Provision for rehabilitation	943 546
	<b>(25 794 329)</b>

#### 17 - Accumulated Surplus - Statement of Financial Position

Previously reported 2014 balance	(615 120 511)
Effect on opening balance corrections relating to -	(41 134 634)
- Grants	175 933
- Property Plant and Equipment correction of opening accumulated surplus	1 673 002
- Correction of Intangible assets opening balance	(39 434)
- Correction of PPE opening balances at Cost	24 380
Effect of Land relating to PPE not previously recognised	(39 585 878)
Effect of Land relating to Investment property not previously recognised	(24 289 963)
Effect on opening balance of Environmental rehabilitation provision	12 652 922
Correction of prior period accruals	5 400
Correction relating to unidentified deposits recognised as revenue	(2 092 774)
Effect of billing corrections relating to prior periods	1 616 975
Effect of cut-off corrections relating to expenditure prior to 2013/14 financial year	929 614
Effect of Adjustment to SALA pension fund in line with court order on opening balances	497 395
Effect of derecognition of Buildings disposed prior to 2013/14	7 297 794

Effect of Accounting Policy Change - see note

45

(16)

RESTATED 2013/14 OPENING BALANCE

**(656 255 161)**

Previously reported Surplus

(12 916 719)

Net corrections as per 2013/14 Statement of Financial Performance

(12 315 608)

(601 111)

**RESTATED 2013/14 CLOSING BALANCE**

**(669 171 880)**



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 46. Prior period errors (continued)

Statement of Financial Performance	2014 Comparative restatements			
	Previously reported	Adjustment	As restated	Reference
<b>REVENUE</b>				
Service charges	80 701 551	(123 020)	80 824 571	i
Other Income	2 411 938	(61 111)	2 473 049	ii
Interest Received	6 451 856	15 922	6 435 934	iii
Property Rates	57 879 560	(621 736)	58 501 296	iv
Government Grants and Subsidies	117 853 529	(866 841)	118 720 370	v
<b>EXPENDITURE</b>				
Personnel	(93 352 171)	(4 126 586)	(89 225 585)	vi
Depreciation and Amortisation	(33 614 527)	3 708 601	(37 323 128)	vii
Operating lease payments	-	2 262 606	(2 262 606)	viii
Repairs and Maintenance	(7 150 945)	484 738	(7 635 683)	ix
Bulk purchases	(40 363 243)	719 346	(41 082 589)	x
Contracted Services	-	14 577 866	(14 577 866)	xi
Grants and Subsidies Paid	(8 677 116)	(7 853 926)	(823 190)	xii
Renewable Energy Programmes	-	522 049	(522 049)	xiii
General Expenses	(51 328 429)	(11 318 389)	(40 010 040)	xiv
Gain/Loss on Disposal	67 235	67 235	-	xv
Fair value adjustments	382 778	2 012 135	(1 629 357)	xvi
		<b>(601 111)</b>		

#### i) - Service Charges - Statement of Financial Performance

As previously reported	80 701 551
Effect of billing correction in 2013/14	123 020
	<b>80 824 571</b>

#### ii) Other Income - Statement of Financial Performance

As previously reported	2 411 938
Effect of change in short term portion	(6 124)
Reclassification of Gain on Disposal incorrectly classified	67 235
	<b>2 473 049</b>

#### iii) Interest received - Statement of Financial Performance

As previously reported	6 451 856
Effect of 2014/15 billing corrections on 2013/14	(8 596)
Effect of unaccounted for interest on investment accrued in 2013/14	(7 326)
	<b>6 435 934</b>

## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

#### 46. Prior period errors (continued)

##### iv) Property Rates - Statement of Financial Performance

As previously reported	57 879 560
Effect of 2014/15 billing corrections on 2013/14	621 736
	<b>58 501 296</b>

##### v) Government Grants and Subsidies - Statement of Financial Performance

As previously reported	117 853 529
Effect of grant revenue incorrectly recognised on grant expenditure - 9	(168 752)
Effect of MIG expenditure corrections	(292 859)
Councillors unspent portion recognised in Revenue	284 748
Correction of Grant revenue not recognised on grant expenditure	144 283
Adjustment to retention - expenditure not previously recognised as revenue	899 421
	<b>118 720 370</b>

##### vi) Personnel - Statement of Financial Performance

As previously reported	(93 352 171)
Workmens' compensation accrual adjustment	-
Grant expenditure recognised from misallocation	(381 422)
Effect of Restatement of Post retirement medical aid	(296 754)
Effect of correction of additional accruals identified	7 890 000
Effect of reclassification of operating grant expenditure	(5 057)
	(3 080 181)
	<b>(89 225 585)</b>

##### vii) Depreciation and Amortisation - Statement of Financial Performance

As previously reported	(33 614 527)
Correction of Depreciation not charged in prior year - Investment property	-
Recalculated depreciation effect on 2013/14 depreciation charges PPE	(51 740)
Effect of Decreased depreciation on Intangible assets	(3 911 690)
2013/14 Depreciation effect of derecognition of Buildings disposed in prior years	18 820
	236 009
	<b>(37 323 128)</b>

##### viii) Operating lease payments - Statement of Financial Performance

As previously reported	-
Effect of Reclassification of Operating lease payments from general expenditure	-
	(2 262 606)
	<b>(2 262 606)</b>

##### ix) Repairs and Maintenance - Statement of Financial Performance

As previously reported	(7 150 945)
------------------------	-------------

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 46. Prior period errors (continued)

Effect of Accrual Adjustments for 2013/14

(176 806)

Effect of reclassification of operating grant expenditure

(307 932)

**(7 635 683)**

### x) Bulk Purchases - Statement of Financial Performance

As previously reported

(40 363 243)

Effect of Accrual Adjustments for 2013/14

(719 346)

**(41 082 589)**

### xi) Contracted Services - Statement of Financial Performance

As previously reported

-

Effect of Reclassification of Contracted services from Consulting and Professional Fees (General Expenditure)

(13 534 476)

Effect of reclassification of operating grant expenditure

(1 043 390)

**(14 577 866)**

### xii) Grants and Subsidies Paid - Statement of Financial Performance

As previously reported

(8 677 116)

Effect of Reclassification of Operating Grant Expenditure to General Expenditure

7 853 926

**(823 190)**

### xiii) Renewable Energy Programme - Statement of Financial Performance

As previously reported

-

Effect of Accrual Adjustment relating to Renewable energy

522 049

**522 049**

### xiv) General expenditure - Statement of Financial Performance

As previously reported

(51 328 429)

Effect of Reclassification of Operating Grant Expenditure to General Expenditure

(7 853 926)

Effect of Reclassification of Contracted services from Consulting and Professional Fees

13 534 476

Effect of Reclassification of Operating lease payments from general expenditure

2 262 606

Effect of Accrual Adjustment

(612 461)

Correction of misallocated asset expenditure

(1 377)

Correction of misallocation of VAT expenditure

(656 567)

7 709

Reclassification of Fair Value Adjustment on Rehabilitation of landfill site

2 012 135

Prior period corrections based on accruals identified in 2014/15

(2 709 640)



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand 2015 2014

### 46. Prior period errors (continued)

Accrual Adjustment for 2013/14 based on additional creditors identified	583 674
Correction of Grant expenditure	320 257
Effect of reclassification of operating grant expenditure	4 431 503
	<b>(40 010 040)</b>

### xv) Gain/Loss on Disposal - Statement of Financial Performance

As previously reported	67 235
	-
Reclassification of Gain on Disposal incorrectly classified	(67 235)
	-

### xvi) Fair Value Adjustments - Statement of Financial Performance

As previously reported	382 778
	-
Reclassification of Fair Value Adjustment on Rehabilitation of landfill site	(2 012 135)
	<b>(1 629 357)</b>

### Cash flow statement

	As previously reported	Adjustment	Corrected Figures
<b>Cash flow from operating activities</b>			
Rates and Services	146 944 040	(12 088 427)	134 855 613
Government Grants and Subsidies	108 466 713	10 253 657	118 720 370
Interest Income	6 451 856	(15 922)	6 435 934
Other receipts	5 517 128	(2 611 199)	2 905 929
Employee costs	(103 315 450)	8 916 585	(94 398 865)
Suppliers	(31 380 491)	(81 093 901)	(112 474 392)
Finance Costs	(3 416 999)	-	(3 416 999)
Other payments	(73 405 394)	73 405 394	-
	<b>55 861 403</b>	<b>(3 233 813)</b>	<b>52 627 590</b>
<b>Cash flow from investing activities</b>			
Purchase of Property, plant and equipment	(59 499 023)	3 673 446	(55 825 577)
Purchase of Intangible assets	-	(131 041)	(131 041)
Proceeds from sale of property, plant and equipment	(67 235)	67 235	-
	<b>(59 566 258)</b>	<b>3 609 640</b>	<b>(55 956 618)</b>
<b>Cash flow from financing activities</b>			
Movement in long term liabilities	(2 987 821)	(383 155)	(3 370 976)
	<b>(2 987 821)</b>	<b>(383 155)</b>	<b>(3 370 976)</b>

The cash flow restatement above details the movements between the previously reported Cash Flow Statement and the restated 2013/14 comparative figures. As the previously reported figures were not based on actual movements from the 2013/14 financial year, a line by line analysis will not be provided. The main reason for the variance are the unsubstantiated figures used in the previously reported 2013/14 Annual Financial statements.

## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

#### 47. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - Current year

39 222

-

Fruitless wasteful expenditure has been incurred due to interest on late payments made as well as penalties incurred on SARS assessments and late implementation of company contribution percentages for pension funds. All of the matters that resulted in fruitless and wasteful expenditure in the current year have been investigated and not criminal or disciplinary steps were taken against any officials.

Procedures and systems' amendments have been affected to avoid instances of fruitless and wasteful expenditure re-occurring.

#### 48. Budget differences

##### Material differences between budget and actual amounts

Variances are considered to be material for the GRAP 24 variance disclosure where it exceeds 10%.

Below are details of the relevant material variances as per the Statement of Budget versus Actual Comparison:

##### 48.1) Service Charges:

The actual water income was 14 million below budget, the actual electricity income was R2 million below budget, the actual sewer income was 8 million below budget, the actual refuse removal income was 6 million below budget and the actual income for sanitation was 1 million below budget. The income from indigents was not realised in the budget but was covered by the equitable share received. The actual demand of consumers was also overstated as well as business refuse tariffs were not implemented as envisaged.

##### 48.2) Rendering of Services:

##### 48.3) Licences and Permits:

The income from licences and permits is difficult to budget for as it is never known if the community will pay for their licences and permits at the municipality or at one of the other agents such as the post office.

##### 48.4) Rental Income

This is in respect of the chemical toilets that we hire out and demand for the toilets is never known at the time of budget so best estimates are used based on prior years demands

##### 48.5) Other income

##### 48.6) Interest received - Investment

According to the budget assumptions made, grant income would have been spent faster than what materialised. Additional interest income was realised on the grant investments

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 48. Budget differences (continued)

#### 48.7) Gains on Disposal of Assets

As can be seen from the budget the departments added in the main 5.5% on their years budget anticipating that redundant and damaged assets would be disposed of. The sale of assets however did not take place as required as Council resolved that schools and public benefit organisations should first be considered for donations.

#### 48.8) Property Rates

At the time of the budget the income fore-gone budget was drastically cut to decrease the increase in rates that ratepayers would be required to pay had income fore-gone being correctly budgeted for. The budget for rates income therefore did not provide the true projection for revenue that would be received from rates.

#### 48.9) Government Grants and Subsidies

During the financial year the Ndlambe Municipality received donated assets namely the Multi-Purpose Centre in Port Alfred with equipment and a Conference and accommodation facilities in Cannon Rocks that was not part of the Municipal Budget or any of the adjusted budgets

#### 48.10) Public Contributions and donations:

National Treasury withheld equitable share due to unspent conditional grants. The expenditure for the sports fields were incorrectly mapped to internal funds and not grants and despite the explanation to National Treasury funds were withheld.

#### 48.11) Fines, penalties and Forfeits

When preparing the budgets for fines, penalties and forfeits, previous years actual revenue is used to project the future years budget. However vehicles became unserviceable and staff did not have the tools of trade to move throughout Ndlambe and generate the fines as in previous years on which projections were based.

#### 48.12) Personnel

Due to staff matters, aging vehicles, aging infrastructure and climate conditions permanent staff members were required to work overtime in excess of what was expected at the time of the budget. Much of the overtime over-expenditure would have been covered by the savings on vacant posts for which the overtime was worked.

#### 48.13) Remuneration of Councillors:

At the time of preparing the budget the increase for Councillors is not known and the content of the act is not known. The tools of trade for Councillors was increased more than what was anticipated that resulted in the budget been exceeded.

#### 48.14) Depreciation and Amortisation:

When doing the budget the depreciation budget was drastically reduced to in turn reduce the percentage increase to ratepayers and consumers. The depreciation budget is seen as a non-cash budget item where there will not be a reduction to an actual revenue flow to the municipality if the budget is reduced.

#### 48.15) Impairment losses:

At the time of the budget and the adjustment budget there was no indication that a budget for impairment would be necessary. The asset verification exercise at year-end highlighted impairment adjustments that needed to be accounted for.



## Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

### Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

#### 48. Budget differences (continued)

##### 48.16) Finance Costs:

The finance costs relate to the DBSA loans and at the time of the budget it was understated due to an error in that one of the loans repayment period was incorrectly captured and was only realised when the payments were made in June 2015

##### 48.17) Lease rentals on operating lease

Additional office space was required by the office of the Municipal Manager for the LED unit and an adjustment budget was done to the rental vote for procuring the services of a consultant to assist with performance management related issue.

##### 48.18) Bad debts written off:

When doing the budget the provision for bad debts budget was drastically reduced to in turn reduce the percentage increase to ratepayers and consumers. The provision for depreciation budget is seen as a non-cash budget item where there will not be a reduction to an actual revenue flow to the municipality if the budget is reduced.

##### 48.19) Repairs and Maintenance

The repairs and maintenance budget was overspent due to the transfer of repairs and maintenance done under projects been transferred to operating repairs and maintenance. The repairs and maintenance component done under projects was not known at the time of budget and was only realised at year-end when dealing with assets.

##### 48.20) Bulk Purchases

The additional electricity increase granted to ESKOM by NERSA was not taken into account when doing the budget. In sales the increase would be recovered but for Ndlambe Municipality's own consumption on plants, pumps, street lights and buildings this increase had to be absorbed

##### 48.21) Contracted Services:

The budget for the contract payments to Manelec was under budgeted for and this resulted in the majority of the over-expenditure. The formula used to calculate the payment is dependent on electricity sales figures and actual sales was understated in the budget calculation.

Additional assets acquired by the municipality needed to be secured with security guards (Cannon Rocks Resort / pound) and assets that were been vandalised (refuse site) needed to be secured but were not budgeted for.

##### 48.22) Transfers and Subsidies:

The actual represents subsidies to tourism and anti-crime and are paid on submission of evidence of the service they render. The budget is calculated on previous actual plus inflation increase but that is not to say that the entire budget will be granted if services are not rendered as required.

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 48. Budget differences (continued)

#### 48.23) Loss on Disposal of Assets:

At the time of the budget a nominal budget is provided for losses on disposals of assets as it not Councils intention to dispose of assets at a loss. It is also not known at the time of the budget what assets would be up for disposal. This must be read with the loss of disposal of assets below

#### 48.24) General Expenses:

#### 48.25) Loss on Disposal fo Liabilities and assets

At the time of the budget a nominal budget is provided for losses on disposals of assets as it not Councils intention to dispose of assets at a loss. It is also not known at the time of the budget what assets would be up for disposal. This must be read with the loss of asset disposals above.

#### 48.26) Fair Value adjustments

At the time of the budget and the adjustment budget there was no indication that a budget for a fair value adjustment would be necessary. The asset verification exercise at year-end highlighted all fair value adjustments that need to be accounted for.

### Amendments made to Budget classification per Budget vs Actual Statement

The changes of budget classification are indicated below for items that have been budgeted but not disclosed as per the GRAP determination as per the Statement of Financial Performance. The below reconciliations indicate the amendments for the purposes of disclosure in this Statement which aims to assist the user in making informed decisions based on the appropriate and like variances.

#### Reconciliation - Other Income

	ORIGINAL BUDGET	FINAL BUDGET
Annual Financial Statement GRAP classification	-	-
Rental Income	(5 440)	(5 440)
Other Income	(17 542 560)	(13 045 560)
Original Classification - Other income	17 548 000	13 051 000
	-	-

#### Reconciliation - Expenditure

	ORIGINAL BUDGET	FINAL BUDGET
Annual Financial Statement GRAP classification	-	-
Lease rentals on operating lease	2 890 742	2 012 822
Transfers and Subsidies paid	1 025 000	975 000
General Expenditure	187 758 258	110 980 178
Original Classification - General expenditure	(191 674 000)	(113 968 000)
	-	-

# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 49. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings are all issued at fixed rates which means that the municipality is not exposed to interest rate risk, as any change in interest rates will not affect the repayment terms of the long term liabilities. During 2015 and 2014, the municipality had no borrowings at variable rates.

The municipality is however exposed to credit interest rate risk relating to repayment of interest bearing loans resulting in cash outflow as detailed below.

#### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other payables	- %	43 072 083	-	-	-	-
Financial liabilities - DBSA	8.8% - 17%	6 356 703	3 198 595	3 198 595	3 198 595	13 215 057

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, trade debtors and shares traded on the open market. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used.

Financial assets exposed to credit risk at year end were as follows:

Financial instruments	2015	2014
Receivables from non-exchange transactions	11 149 541	11 653 797
Receivables from exchange transactions	24 914 299	12 975 022
Cash and cash Equivalents	28 720 873	21 271 191
Other Financial Assets	144 979	134 689

The municipality holds deposits of R1 700 733 (2014: R1 634 933) from consumer debtors. No guarantees or collateral was provided to third parties.



# Ndlambe Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in South African Rand

2015

2014

### 49. Risk management (continued)

#### Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. Price risk is not actively managed as the extent of the holdings in equity instruments are limited and diversification of the portfolio is done in accordance with the limits set by the municipality.

The municipality's investments in equity of other entities that are publicly traded and are included in on the JSE (Johannesburg Stock Exchange)

The table below summarises the impact of increases/decreases of the indexes on the municipality's surplus for the year and on equity. The analysis is based on the assumption that the equity indexes has increased/decreased by 5% with all other variables held constant and all the municipality's equity instruments moved according to the historical correlation with the index:

Financial instrument	Impact on surplus in Rand Increase		Impact on surplus in Rand (Decrease)	
	2015	2014	2015	2014
JSE Old Mutual Shares	7 249	6 735	(7 249)	(6 735)

Suplus for the year would increase/(decrease) as a result of gains or losses on equity securities classified as at fair value through surplus or deficit.

### 50. Water and electricity losses

#### Losses

Water	11 724 533	9 398 604
Electricity	5 393 305	4 824 269
	<b>17 117 838</b>	<b>14 222 873</b>

#### Water Losses

In 2015, the water reticulation losses were 40.9% (3 060 500 kl supplied and 1 807 879 kl sold). These losses are predominantly due to physical losses from leaks, burst pipes and reservoir overflows. Furthermore apparent losses are realised due to metering inefficiencies, unauthorised and unmetered consumption.

In 2014 water losses were as the result of the 42.9kl per hour from the supply dam to the treatment works which is at 12.4 % loss on bulk supply. Futher losses were accounted to the following: no billing history, vacant stands, zero consumptions, no meter readings, duplicate Erf numbers and existing billing history.

#### Electricity Losses

In 2015, the energy losses were 15.22% (2014: 15.57%). Energy purchased was 43 737 926 kWh and 37 079 524 kWh was sold (2014: 44 277 593 kWh purchased and 37 385 780 kWh sold). These losses are predominantly due to MV and LV losses in switchgear, overheadlines, underground cables and transformers. Furthermore losses are attributed to metering and meter reading losses and losses due to tampering.

# ANNEXURE H

AUDIT AND PERFORMANCE COMMITTEE REPORT

## AUDIT AND PERFORMANCE COMMITTEE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

We are pleased to present our report for the financial year ended 30<sup>th</sup> June, 2015.

### Membership

The Audit and Performance committee consisted of three members and should meet four times per annum as per its approved terms of reference. During the year it met four times aside from attending to ad hoc assignments like MPAC strategic sessions, attending AG management reporting sessions and also managerial performance assessment sessions.

Names of members	meetings attended
Mr W S MBALEKWA-----Chairperson	4/4
Mr S M MBEWU-----Member	4/4
ADV T MQOBI-----Member	0/4

### Audit and performance committee responsibilities

The audit and performance committee is an independent body which must –

- a) Advise the council, the political office bearers, the accounting officer and the management staff on matters relating to-
  - 1) Internal financial control and internal audits
  - 2) Risk management
  - 3) Accounting policies
  - 4) The adequacy, reliability and accuracy of financial reporting and information
  - 5) Performance management
  - 6) Effective governance
  - 7) Compliance with all applicable legislation
  - 8) Performance evaluation
  - 9) Attend to any other issues referred to it by the municipal council
- b) Review the annual financial statements to provide the council with an authoritative and credible view of the financial position
- c) To respond to the council on any issues raised by the Auditor General in the audit report
- d) Carry out such investigations into the financial affairs of the municipality as it may request
- e) Perform such other functions as may be prescribed.

### Effectiveness of internal control

The system of internal control applied by the municipality over financial risk and risk management must be effective, efficient and adequate.

In line with MFMA and King 111 Report on corporate governance requirements, Management, internal audit and audit committee provide assurance to the municipality that the system of internal



controls is appropriate and effective. This is achieved through a risk management process, and identification of corrective measures including enhancement of controls and processes.

From the various reports of the Internal Audit function, the Auditor General's Audit report on the financial statements, both any qualification and/or emphasis of matter and the management report, it is noted that there was some reported noncompliance with prescribed policies and procedures. Accordingly, the audit committee can report that the system of internal control was partially effective and efficient for the period under report.

#### **Management**

Judging by the nature and number of issues raised by the Auditor General, it is clear that Management is falling short of expectations. A drastic turnaround plan has to be put in place and be implemented as soon as practicable.

#### **Internal Audit**

Although there are some reported noncompliance issues on the part of internal audit, given the resource constraints during the year, the Audit committee is satisfied that with the additional resource that is now in place, this function can only improve going forward.

#### **Audit committee**

Although some of the issues raised are not factually correct, the audit committee accepts the criticism levelled against it. A plan will be put in place to enhance the functioning of the audit committee towards providing a credible and authoritative view of the financial reporting to the council.

#### **Evaluation of financial statements**

The audit committee confirms that –

- a) It reviewed and discussed the unaudited financial statements to be included in the annual report, prior to submission to the office of the Auditor General, with the Chief Financial Officer:
- b) It has not reviewed the Auditor General Management report as it has not been presented to it yet at the time of compiling this report

#### **Annual Audit**

The annual audit of the Ndlambe Local Municipality by the Auditor General has been finalised but has not been presented to the full audit committee yet.